

**AGREEMENT  
ON THE PROMOTION AND PROTECTION OF INVESTMENTS BETWEEN  
THE GOVERNMENT OF MONGOLIA  
AND  
THE GOVERNMENT OF THE DEMOCRATIC  
PEOPLE'S REPUBLIC OF KOREA**

The Government of Mongolia and the Government of the Democratic People's Republic of Korea (hereinafter referred to as the " Contracting Parties" )

In the hope of intensifying economic co-operation of the Contracting Parties for mutual benefit,

Desiring to create and maintain favorable conditions for investments by investors of either Contracting Party in the territory of the other Contracting Party,

Recognizing the need to promote and protect investments with the aim of fostering the economic prosperity of the Contracting Parties,

Hoping that investments and economic co-operation will be promoted and strengthened in accordance with the principles of sovereignty, equality, mutual benefit, mutual respect and mutual confidence,

Have agreed as follows;

**Article 1. Definition**

In this agreement

1. The " investment" means every kind of assets invested by an Investor of either Contracting Party in the territory of the other Contracting Party, in accordance with the laws and regulations of the latter, and includes, in particular, though not exclusive;

1) Movable and immovable property as well as any other property rights such as mortgages and pledges,

2) Shares, stocks and debentures of companies or any other kind of participation in a company,

3) Claims to money or right to any performance of an economic value,

4) Intellectual property rights, patents, tradename, know-how, technological process and good will,

5) Any rights of economic value conferred by laws and contract, and by economic activities, including the rights of business concessions, exploration and exploitation of natural resources, and production, utilization and sale of products, and

6) Activities related to investment such as provision and acquisition of business facilities and organization and operation for test, disposition of property right, fund raising, buying and selling of foreign currency.

Any alteration of the form in which assets are invested shall not affect their character as investment.

2. The term "Investor" means as follows:

1) A natural person who, in accordance with the law of either Contracting Party, is considered to be its national or permanent resident

2) Legal entity, including companies, economic associations or other organizations which are established or organized under the law and regulation of either Contracting Party and which perform real economic activities having their seats in the territory of either Contracting Party.

3. The term "Return" means the financial gains from an investment, including profits, dividends, interests, capital gains, rents, payments related to intellectual property rights, and other legitimate income.

4. The term "Territory" means:

1) In respect of Mongolia, the territorial land over which Mongolia has sovereignty or jurisdiction;

2) In respect of the Democratic People's Republic of Korea, the territorial land, territorial waters, territorial airspace, continental shelf and exclusive maritime zone over which it exercises sovereign rights or jurisdiction in accordance with the domestic and international laws.

## **Article 2. Promotion and Protection of Investment**

1. Each Contracting Party shall encourage investors of the other Contracting Party to make investments in its territory and admit such investments in accordance with its laws and regulations.

2. Each Contracting Party shall grant assistance in and provide facilities for obtaining visa and work permit to nationals of the other Contracting Party engaging in the investment activities within the territory of either Contracting Party in accordance with its laws and regulations.

3. The investments by investors of either Contracting Party shall, in the territory of the other Contracting Party, enjoy long-term protection and security.

4. Unless otherwise contradictory to its laws and regulations, each Contracting Party shall not adopt any unjust or discriminatory measures to the management, maintenance, utilization, enjoyment or disposal of investments by investors of either Contracting Party, effected in its territory.

### **Article 3. Investment Treatment**

1. Investments, returns and activities associated with investments of investors of either Contracting Party shall be accorded fair and equitable treatment in the territory of the other Contracting party.

The above mentioned treatment shall not be less favorable than that accorded to investors of any third country.

2. Each Contracting Party shall, in its territory, accord to investors of the other Contracting Party as regards the management, maintenance, utilization, enjoyment or disposal of their investments, the treatment which is fair and equitable and not less favorable than that is accorded to its own investors or to investors of any third country.

3. The treatment and protection referred to in paragraphs (1) and (2) of this article shall not include the benefit of preferences or privileges which may be accorded to any investors of a third country by virtue of any customs union or a free trade zone, to which either Contracting Party is or shall become a member, and as a result of conclusion of agreement on double taxation prevention to which both Contracting Parties are or shall become members.

### **Article 4. Expropriation and Indemnification**

1. The investments made by investors of the either Contracting Party shall not be nationalized, expropriated or subjected to measures having effect equivalent to nationalization or expropriation in the territory of the other Contracting Party, except for the measures taken in the public interest or on a non-discriminatory basis, for immediate, effective and adequate indemnification.

Such indemnification shall be equivalent to the fair market value of investment immediately prior to expropriation or impending expropriation became publicly notified, and shall be paid without delay and by freely convertible currency including the accrued interests based on the reasonable commercial interest rate applicable in the territory of either Contracting Party.

2. The investors of either Contracting Party, in case of all or part of own investment being nationalized or expropriated, shall have a right to inquire on the occurrence of expropriation as well as revaluation of investment value to independent judicial or administrative authority of the other Contracting Party.



## **Article 5. Compensation for Losses**

In case investors of either Contracting Party suffer losses in the investment realized in the territory of the other Contracting Party owing to war, armed conflicts, a state of emergency, revolution, revolt, civil disturbance, riot or other similar events in the territory of the other Contracting Party, the latter shall accord adequate indemnification, compensation, restoration to the original state or indemnify in a different method, and such indemnification should not be less favorable than that it grants to its own nationals or to investors of any third country.

All payments shall be prompt, adequate, effective and freely transferable.

## **Article 6. Transfer of Investments and Returns**

1. Each Contracting Party shall grant transfer of investments and returns that investors of the other Contracting Party proceeds in its territory under its laws and regulations including as follows;

- 1) Profits, interests, dividends and other lawful income.
- 2) Returns gained by sale of whole or part of investment, or result of clearing off.
- 3) Payments made pursuant to a loan agreement in connection with investments.
- 4) Payments which occur from the rights stipulated in paragraph 1. 4), article 1 of this agreement.
- 5) Wages or legal income earned by persons employed from foreign countries with respect to investment.

2. Transfer of payments of this Article 1 shall be made without delay at the public exchange rate of the day of transfer.

## **Article 7. Subrogation**

When either Contracting Party or its agency makes a payment to its own investor under a guarantee accorded in respect of investments progressed by its own investor in the territory of the other Contracting Party, the other Contracting Party shall recognize the transfer of any right or claim of such an investor to the former Contracting Party or its Agency and recognize the subrogation of the former Contracting Party or its Agency to such right or claim. The subrogated right or claim shall not be greater than the original right or claim of said investor.



## **Article 8. Settlement of Disputes between Contracting Parties**

1. Any disputes that may arise between the Contracting Parties concerning this agreement, shall be settled, as far as possible, by consultation through diplomatic channel.

2. If Contracting Parties do not reach an agreement within a period of six months after the occurrence of a dispute, it shall, at the request of either Contracting Party, be submitted to an arbitral tribunal to be composed of 3 members in the following procedure;

1) Within 60 days of the receipt of the request for arbitration, each Contracting Party shall appoint one arbitrator and the two appointed arbitrators, within 60 days from the date of appointment or according to agreement, shall nominate a national of a third country having diplomatic relations with both Contracting parties.

2) Within 60 days from the date of the appointment of the third arbitrator, the Contracting Parties shall recognize the third arbitrator as Chairperson of the arbitral tribunal.

3. If the necessary appointment or approval have not been made as appropriate within the periods specified in paragraph 2 of this article, either Contracting Party shall request the President of the International Court of Justice for the relevant appointments.

If the president of International Court of Justice is a national of either Contracting Party or he/she is otherwise prevented from discharging the said function, the Vice-President shall be invited to make the appointment of necessary members.

If the Vice-President is a national of either Contracting Party or also prevented from discharging the said function, the next most senior member of the International Court of Justice who is not a national of either Contracting Party shall be invited to make the necessary appointment of necessary members.

4. The arbitral tribunal shall work in accordance with the articles of this Agreement and other agreements between the Contracting Parties and based on the principles of the prevailing international laws.

The arbitral tribunal shall reach its decision by a majority of votes.

The decisions of the arbitral tribunal shall be final and binding upon each Contracting Party.

5. Each Contracting Party shall bear the cost of its own arbitrator and arbitral participation.

The costs of the chairperson and the other costs shall be borne in equal parts by the Contracting Parties.

#### **Article 9. Settlement of Disputes between an Investor of a Contracting Party and the other Contracting Party**

1. Any dispute between an investor of either Contracting Party and the other Contracting Party in connection with an investment shall, as far as possible, be settled amicably through negotiations between the parties to the dispute.

2. If the dispute cannot be settled in a friendly manner within a period of six months from the date when the request for the settlement of disputes is raised, an investor is entitled to submit the case to the following authorities;

1) Authoritative courts or administrative bodies of Contracting Party in the territory where the investment is made.

2) An ad-hoc arbitral tribunal established under the Arbitration Rules of the United Nations Commission on International Trade Law. (UNCITRAL)

3. An Ad-hoc Court of Arbitration shall make a decision by a majority of votes.

The decision shall be final and binding upon the parties in the dispute.

Each contracting Party is under an obligation to execute the decision.

4. The parties in the dispute shall bear the cost of its own arbitrator and its representatives who took part in the arbitration.

The cost of the chairperson and other costs shall be borne in equal parts by the Parties in the dispute.

At the time of judgement, the arbitral tribunal may ask a party of dispute to bear relatively higher cost than the other party.

#### **Article 10. Application of Other Rules**

If the provisions of the law of either Contracting Party or the provisions of an international agreement which exist or shall be concluded in the future between the Contracting Parties include also the provision(s) which accords more favorable treatment to the investment of either Contracting Party than that is provided under this Agreement, such provision(s) shall not be affected by this Agreement and can be extended to a more favorable treatment.

### **Article 11. Consultation, Amendment, Supplement**

1. Either Contracting Party may propose to the other Contracting Party to have consultation with respect to any problem having effect on the application of this Agreement; such consultation, at the suggestion of either Contracting Party, shall proceed at a place and time to be agreed upon through diplomatic channels.

2. Each Contracting Party, may amend, modify and supplement this Agreement by mutual agreement if necessary.

### **Article 12. Application of the Agreement**

The articles of this Agreement shall apply to all investments which investors of either Contracting Party made before or after its entry into force under the laws and regulations of the other Contracting Party in the territory of the other Contracting Party.

This Agreement shall not apply to any disagreement or disputes which occurred prior to its entry into force.

### **Article 13. Entry into Force, Duration, Termination**

1. This Agreement shall enter into force from the first date of next month when the Contracting Parties have notified each other in writing that their domestic legal proceedings have been completed and the validity period shall be for 10 years.

2. Unless either Contracting Party notifies to terminate this agreement to the other Contracting Party in writing one year before its expiration of available period defined in paragraph (1) of this article, the validity of this Agreement shall extend automatically for another period of 10 years and so forth.

3. After the expiration of the validity of the first 10 years expired, either Contracting Party may terminate this Agreement at any time but must inform in writing to the other Contracting Party at least one year in advance.

4. The articles from 1 to 13 of this Agreement shall continue to be effective for the further period of 10 years from the date of termination of this Agreement with respect to the investment made before the date of its termination.

The representatives authorized by their respective governments, signed this agreement.



Done in PYONGYANG, 19 , November, 2003 in duplicate each in Mongolian, Korean and English languages, all three texts being equally authentic.

In case of divergence of interpretation, the English text shall prevail.

On the behalf of the Government  
of the Mongolia



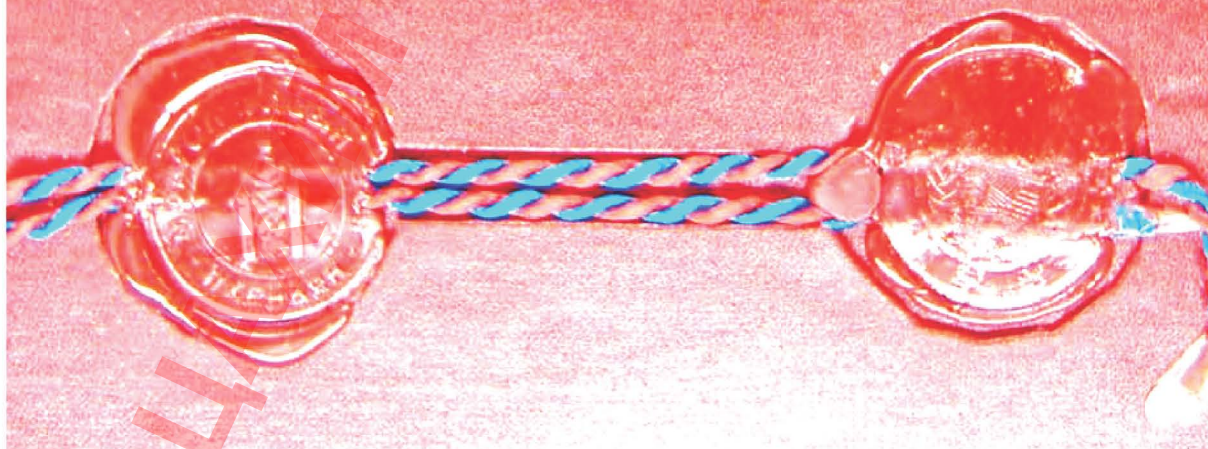
On the behalf of the Government  
of the Democratic People's  
Republic of Korea





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