

AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF VENEZUELA AND THE GOVERNMENT OF THE REPUBLIC OF ECUADOR FOR THE RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENTS

The Government of the Republic of Venezuela and the Government of the Republic of Ecuador referred to hereinafter as the "Contracting Parties".

Desiring to intensify economic cooperation between the two countries,

In order to create favourable conditions for investments of investors of one Contracting Party in the territory of the other Contracting Party, involving transfers of funds,

Recognizing that the promotion and protection of such investment based on an agreement will stimulate economic development of both States,

Have agreed as follows:

Article 1. Definitions

For the purposes of this Agreement:

1. The term "investment" designates in accordance with the laws and regulations of the Contracting Party in whose territory the investment was made, every kind of assets invested by investors of one Contracting Party in the territory of the other contracting party, in accordance with the legislation of the latter. Includes in particular, though not exclusively:

- (a) Ownership of movable and immovable property as well as any other rights in rem such as mortgages, bonds and rights of pledge.
- (b) Actions, assessments, companies and any other kind of participation in companies.
- (c) Claims and rights to performance having an economic value; loans shall be included only when they are regularly contracted and documented according to the rules in force in the country where the investment made and is directly linked to a specific investment.
- (d) Intellectual Property Rights, including copyrights, patents, industrial designs, trademarks, trade names, processes, technical know-how and goodwill.
- (e) Economic concessions conferred by law or under contract and any licences and permits granted pursuant to law.

Any alteration of the form in which assets and capital have been invested or reinvested shall affect their qualification of investments under this Agreement.

This Agreement shall apply to all investments made before or after the date of its Entry into Force, but the provisions of this Agreement shall not apply to any dispute, claim or dispute arisen from causes prior to its Entry into Force.

2. The term investor "means:

- (a) Any natural person that is a national of one of the Contracting Parties, in accordance with its legislation.
- (b) Any legal person constituted in accordance with the laws and regulations of one Contracting Party and having its seat in the territory of that Contracting Party, regardless of whether or not its activities are non-profit-making.

3. The provisions of this Agreement shall not apply to investments in the territory of a Contracting Party by natural persons

who are nationals of the other Contracting Party if such persons, at the time of the investment, have been domiciled for more than two years in this latter Contracting Party, unless it is proved that the investment was admitted in its territory from abroad.

4. The term "proceeds" means all amounts resulting from an investment interests, such as profits, dividends, royalties and other revenue streams.

5. The term "territory" means the territory of each Contracting Party, including those maritime areas adjacent to the outer limit of the territorial sea of the national territory, over which the Contracting Party concerned may, in accordance with its legislation and international law, sovereign rights or jurisdiction.

Article 2. Investment Promotion

Each Contracting Party shall promote investments in its territory by investors of the other Contracting Party and shall admit such investments in accordance with its laws and regulations.

Article 3. Protection of Investments

1. Each Contracting Party in accordance with the rules and principles of international law, at all times ensure fair and equitable treatment to investments of investors of the other Contracting Party and shall not affect their management, maintenance, use, enjoyment or disposal through unjustified or discriminatory measures.

2. Each Contracting Party, once admitted investments of investors in its territory of the other Contracting Party shall accord to such investments granted a full legal protection and treatment no less favourable than that accorded to its own of investments or investors to investors of third States.

3. Without prejudice to the provisions of paragraph (2) of this article, the Most-favored-nation treatment shall not apply to privileges which either Contracting Party accords to investors of a third State because of its association or participation in a free trade area, customs union, common market or regional agreement.

4. The provisions of paragraph (2) of this article shall not be construed as to oblige one contracting party to extend to the investors of the other Contracting Party the benefit of any treatment, preference or privilege resulting from any international agreement relating wholly or partially to taxation matters.

Article 4. Expropriation and Compensation

1. Neither of the Contracting Parties shall take measures of expropriation or nationalization or any other measures having the same effect against investments in its territory and belonging to investors of the other contracting party unless the measures are taken for a public purpose; on a non-discriminatory basis and under due process of law. The legality of the expropriation shall be subject to regular judicial proceeding.

The measures shall be accompanied by provisions for the payment of prompt, effective and adequate compensation. The amount of such compensation shall correspond to the market value of the expropriated investment was immediately before the expropriation or before the impending expropriation became public, whichever is earlier, shall include interest from the date of expropriation at a normal commercial rate shall be paid without delay and shall be effectively realizable and freely transferable.

2. Investors of a Contracting Party who suffer losses of their investments in the territory of the other contracting party owing to war or other armed conflict, a national state of emergency, revolt, riot or insurrection shall be accorded by the latter as regards restitution, indemnification, compensation or other relief, a treatment no less favourable than that accorded to its own investors to investors or of any third State. Such payments shall be freely transferable.

Article 5. Transfers

1. Each Contracting Party shall guarantee Gue no restrictions on the free transfer of returns of investments and investors of the other contracting party, and in particular, though not exclusively:

(a) The principal and additional amounts necessary for the maintenance and development of the investment.

(b) The benefits, profits, dividends, interests and other current income.

(c) The funds in repayment of loans as defined in article 1, paragraph (1) (c).

(d) Royalties.

(e) The proceeds of the total or partial sale or liquidation of an investment.

(f) The compensation referred to in article 4.

2. Transfers shall be effected without delay in a freely convertible currency at the rate of exchange applicable on the date of transfer pursuant to the procedures established by the Contracting Party in whose territory the investment was made, which shall not affect the substance of the rights under this article.

Article 6. Subrogation

1. If a Contracting Party or any of its entities or public undertakings makes a payment to one of its investors under a guarantee or insurance against non-commercial risks in connection with an investment in the territory of the other contracting party, the latter shall recognise the validity of the subrogation in favour of the Party has made a payment in respect of the rights or securities of the investor, as well as their right to exercise them. The investor may exercise rights with respect to which has not been subrogated.

2. If by virtue of subrogation referred to in this article as a contracting party makes title holder whose assets or rights to foreign States is prohibited by the Constitution or the laws of the other Contracting Party shall, without delay a transfer This title to whom it may be exercised.

Article 7. Implementation of other Rules

If the provisions of law of either Contracting Party or obligations under international law existing or future between the Contracting Parties in addition to this Convention or an agreement between an investor of one Contracting Party and the other contracting party contain rules whether general or specific that accorded to the investments made by investors of the other contracting party to a more favourable treatment than is provided for by the present Agreement, such rules shall prevail over this agreement to the extent that it is more favourable.

Article 8. Settlement of Disputes between the Contracting Parties

1. Any dispute arising between the contracting parties concerning the interpretation or application of this Agreement, as far as possible, shall be settled through diplomatic channels.

2. If a dispute between the contracting parties cannot be settled in this way within six months after the beginning of negotiations, the dispute shall be submitted, at the request of either contracting party to an arbitral tribunal.

3. Such an arbitral tribunal shall be constituted for each individual case in the following way. Within two months of the receipt of the request for arbitration, each Contracting Party shall appoint one member of the Tribunal. These two 8 Members shall elect a national of a third State who on approval of the two Contracting Parties shall be appointed Chairman of the Tribunal. The Chairman shall be appointed within two months from the date of appointment of the other two members.

4. If within the periods specified in paragraph (3) of this article shall not make the necessary appointments, either Contracting Party may, in the absence of any other agreement, invite the President of the International Court of Justice to proceed with the necessary appointments. If the President is a national of one of the contracting parties or, if for any reason, is prevented from discharging the said function, the Vice-President shall be invited to make the necessary appointments. If the Vice-President is a national of either of the contracting parties or if he is found also prevented from discharging the function, the said member of the International Court of Justice who is next in order of precedence and is not a national of either Contracting Party shall be invited to make the necessary appointments.

5. The arbitral tribunal shall reach its decision by a majority of votes. Such decision shall be binding on both contracting parties. Each Contracting Party shall bear the costs of the member of the Tribunal and of its representation in the arbitral proceedings. The cost of the Chairman and the remaining costs shall be borne in principle in equal parts by the contracting parties. However, the arbitral tribunal shall determine its decision that a higher proportion of costs be borne by one of the two contracting parties, and this award shall be binding on both contracting parties. The tribunal shall determine its own procedure.

Article 9. Settlement of Disputes between an Investor and the Host Contracting Party of the Investment

1. Any dispute between an investor of one Contracting Party and the other contracting party regarding compliance with the provisions of this Agreement shall, as far as possible, be settled by amicable consultations.

2. If the dispute cannot be settled within six months from the date on which it was raised by one or other party, it may be submitted at the request of the investor:

■ Either to the competent courts of the Contracting Party in whose territory the investment was made;

■ Or to international arbitration under the conditions described in paragraph (3).

Once an investor Gue has submitted the dispute to the courts of the Contracting Party concerned or to international arbitration, the choice of one of these procedures is final.

3. If the investor resolves to submit the dispute to arbitration shall be held in the International Centre for Settlement of Investment Disputes established by the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, opened for signature at Washington on 18 March 1965, when each State Party to this Agreement has acceded thereto. As long as this requirement is not fulfilled, each Contracting Party consents that the dispute be submitted to arbitration in accordance with ICSID Additional Facility Rules for the administration of conciliation, arbitration or fact-finding proceedings.

If for any reason is not available or the ICSID Additional Facility, the dispute shall be submitted, at the request of the investor, an "ad hoc" court of arbitration established under the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL).

11. The arbitral award shall be limited to determine if the Contracting Party is in breach of this Agreement if this non-compliance has caused injury to the investor and, if this is the case, to fix the amount of compensation.

12. The arbitral awards shall be final and binding on the parties to the dispute. Each Contracting Party shall execute the In accordance with its legislation.

Article 10. Entry Into Force , Duration and Termination

1. This Agreement shall enter into force on the first day of the second month following the date on which the contracting parties have notified each other in writing that they have completed their respective constitutional requirements for entry into force of this Agreement. It shall be valid for 10 years. Thereafter it shall remain in force until the expiration of twelve months from the date on which either contracting party notifies in writing the other contracting party of its decision to terminate this Agreement.

2. With respect to investments made prior to the date when the notice of termination of this Agreement becomes effective, the provisions of articles 1 to 10 shall remain in force for a period of ten years from that date.

Done at Caracas, on 18 November 1993, in two originals in the English language both texts being equally authentic.

For the Government of the Republic of Venezuela

Fernando Ochoa Antich

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For the Government of the Republic of Ecuador

Diego Paredes Peña

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