

# Treaty between the Federal Republic of Germany and the Mongolian People's Republic on the Promotion and Mutual Protection of Capital Investments

The Federal Republic of Germany and the Mongolian People's Republic, hereinafter referred to as the Contracting Parties,

In the desire to deepen economic cooperation between the two countries,

In the endeavor to create favorable conditions for the investments of nationals or companies of one State in the territory of the other State,

Recognizing the fact that the promotion and the contractual protection of these investments are capable of stimulating private economic initiatives and increasing the prosperity of the two peoples,

Have agreed as follows:

## Article 1.

For the purposes of this Treaty

1. The term "investments" means assets of any kind, in particular

- a) Ownership of movable and immovable property as well as other rights in rem such as mortgages and liens;
- b) Share rights in companies and other types of participations in companies;
- c) Claims on money used to create an economic value or claims on an economic value;
- d) Intellectual property rights, in particular copyrights, patents, utility models, industrial designs, trademarks, trade names, business and commercial secrets, technical procedures, know-how and goodwill;
- e) Public-law concessions, including concessions and concessions on natural resources.

A change in the form in which assets are invested does not affect their property as an investment;

2. The term "income" means the amounts accruing to an investment for a certain period, such as profit shares, dividends, interest, royalties or other charges;

3. The term "nationals"

a) With regard to the Federal Republic of Germany:

Germans within the meaning of the Basic Law for the Federal Republic of Germany,

b) With regard to the Mongolian People's Republic:

Mongols as defined by the Constitution of the Mongolian People's Republic;

4. The term "companies"

a) With regard to the Federal Republic of Germany:

Any legal person or any commercial or other company or association with or without legal personality established in the Federal Republic of Germany, irrespective of whether its activity is directed at profit or not,

b) With regard to the Mongolian People's Republic:

Any economic association established under the laws of the Mongolian People's Republic and based in the Mongolian People's Republic.

## **Article 2.**

(1) Each Contracting Party shall, as far as possible, promote the investment of nationals or companies of the other Contracting Parties in its territory and permit such investments in accordance with its laws. In any case, it will treat capital investments fairly and cheaply.

(2) A Contracting Party shall in no way affect the management, use, use or use of the investments of nationals or companies of the other Contracting Parties in its territory by means of arbitrary or discriminatory measures.

(3) Investments of nationals or companies of one Contracting Party which are authorized in their territory in accordance with the laws of the other Contracting Parties enjoy the full protection of this Treaty.

## **Article 3.**

(1) Each Contracting Party shall treat investments in its territory which are the property or under the influence of nationals or companies of the other Contracting Parties as well as nationals or companies of the other Contracting Parties with regard to their activities in connection with investments in their territory no less favorable than the investments of their own nationals; Companies or investments of third-country nationals and companies.

(2) The treatment referred to in paragraph 1 does not relate to privileges granted by a Contracting Party to nationals or companies of third States because of their membership in a customs or economic union, a common market or a free trade zone or because of their association with it.

(3) The treatment provided for in this Article does not relate to the advantages a Contracting Party may grant to third-country nationals or companies under a double-taxation agreement or other agreements on tax questions.

## **Article 4.**

(1) Investments by nationals or companies of a Contracting Party shall enjoy full protection and security in the territory of the other Contracting Parties.

(2) Investments of nationals or companies of a Contracting Party may be expropriated in the territory of the other Contracting Parties only for the general good and for compensation, be subject to nationalization or be subject to other measures equivalent to expropriation or nationalization. The compensation must correspond to the value of the expropriated investment immediately before the date on which the actual or imminent expropriation, nationalization or comparable measure became publicly known. The compensation must be paid without delay and is payable at the usual bank rate until the time of full payment; It must in fact be usable and freely transferable. The legality of the expropriation, the nationalization or the comparable measure and the amount of the compensation must be able to be verified by ordinary proceedings.

(3) Nationals or companies of a Contracting Party who suffer losses in investments by war or other armed conflicts, revolution, national or truce in the territory of the other Contracting Party shall be treated no less favorably by the Contracting Party in respect of repayments, settlements, compensation or other consideration than their own Nationals or companies. Such payments must be freely transferable.

## **Article 5.**

Each Contracting Party shall guarantee to the nationals or companies of the other Contracting Parties the free transfer of payments in connection with an investment, in particular

- a) Of the capital and additional amounts for the maintenance or expansion of the investment;
- b) Of income;
- c) To repay loans;
- d) Of the proceeds in case of complete or partial liquidation or disposal of the investment;
- e) Of the compensation provided for in Article 4.

## **Article 6.**

Where a Contracting Party makes payments to its nationals or companies on the basis of a guarantee for an investment in the territory of the other Contracting Party, that other Contracting Party shall recognize the transfer of all rights or claims of such nationals or companies by law or by reason of the rights of the former Contracting Party To the former Contracting Party. Furthermore, the other Contracting Party shall recognize the entry of the former Contracting Party into all such rights or claims (transferred claims) which the former Contracting Party is entitled to exercise to the same extent as its predecessor. Article 4 (2) and (3) and Article 5 shall apply mutatis mutandis to the transfer of payments under the transferred claims.

## **Article 7.**

(1) Transfers pursuant to Article 4 (2) or (3), Article 5 or Article 6 shall take place immediately at the rate valid.

(2) This rate must correspond to the cross-rate, which is derived from the exchange rates which the International Monetary Fund would use as the basis for the conversion of the currencies into special drawing rights.

## **Article 8.**

(1) If the legislation of a Contracting Party or obligations under international law which exist between the contracting parties or which are established in the future are governed by a general or special regulation which gives the investments of the nationals or companies of the other Contracting Parties more favorable treatment than under this Treaty is to be granted, this provision shall be governed by this Treaty in so far as it is more favorable.

(2) Each Contracting Party shall comply with any other obligation which it has undertaken in its territory in respect of the investments of nationals or companies of the other Contracting Parties.

## **Article 9.**

This contract shall also apply to existing investments which have been effected by nationals or companies of one Contracting Party in accordance with the legislation of the other Contracting Party in their territory before the entry into force of this Treaty.

## **Article 10.**

(1) Disputes between the Contracting Parties concerning the interpretation or application of this Treaty shall, as far as possible, be settled by the Governments of the two Contracting Parties.

(2) If a disagreement can not be settled in this way, it shall be submitted to an arbitration court at the request of one of the two contracting parties.

(3) The arbitral tribunal shall be constituted on a case-by-case basis by appointing a member to each of the Contracting Parties, and both members as members of a third State as chairman to be appointed by the Governments of the two Contracting Parties. The members shall be appointed within two months to appoint the chairman within three months after the one party to the agreement has notified the other that it wishes to submit the dispute to an arbitration tribunal.

(4) If the deadlines set out in paragraph 3 are not met, in the absence of any other agreement, each Contracting Party may ask the President of the International Court of Justice to make the necessary appointments. If the President has the nationality of either Contracting Party or if he is prevented from doing so for another reason, the Vice-President shall make the appointments. If the vice-president also has the nationality of one of the two contracting parties or if he is also prevented from doing so, the next member of the court, who is not a national of one of the two contracting parties, shall make the honors.

(5) The arbitral tribunal shall decide by a majority of votes. Its decisions are binding. Each Contracting Party shall bear the costs of its member and its representation in the proceedings before the arbitral tribunal; The costs of the chairman and the other costs are borne equally by the two contracting parties. The arbitral tribunal may adopt a different cost regime. Moreover, the arbitral tribunal shall regulate its own procedures.

(6) If both Contracting Parties are Contracting States to the Convention of 18 March 1965 on the resolution of disputes between States and nationals of other States, the arbitration rules set out above may not be invoked with regard to the

provisions of Article 27 (1) of the Convention Or the company of a Contracting Party and the other Contracting Party, an agreement has been concluded in accordance with Article 25 of the Convention. The possibility of calling the arbitral tribunal provided for in the event of failure to comply with a decision of the arbitration tribunal of the said Convention (Article 27) or in the case of a transfer by force of law or legal transaction pursuant to Article 6 of this Treaty shall remain unaffected.

## **Article 11.**

(1) Disputes concerning investment between one of the Contracting Parties and a national or a company of the other Contracting Parties shall, as far as possible, be settled amicably between the Contracting Parties.

(2) If the disagreement can not be settled within a period of six months from the date of its assertion by one of the two parties, it shall be subject to arbitration at the request of the national or the company of the other Contracting Party. Each Contracting Party hereby declares its consent to such arbitration. Unless the parties to the dispute reach a different agreement, the provisions of Article 10 (3) to (5) shall be applied mutatis mutandis with the proviso that the members of the arbitration tribunal shall be appointed by the parties in accordance with Article 10 (3) , Each Contracting Party may, in the absence of other agreements, ask the President of the Arbitration Court of the International Chamber of Commerce in Paris to make the necessary appointments. The arbitration shall be enforced under national law.

(3) The Contracting Party involved in the dispute shall not claim as an objection during an arbitration proceedings or the enforcement of an arbitration award that the national or the company of the other Contracting Party has received compensation for part or all of the damage resulting from insurance.

(4) In the event that both Contracting Parties also became Contracting States to the Convention of 18 March 1965 on the resolution of disputes between states and nationals of other States, differences of opinion under this Article shall be subject to an arbitration procedure within the framework of the abovementioned Convention, The controversies shall make a different agreement; Each Contracting Party hereby declares its consent to such proceedings.

## **Article 12.**

This Agreement shall apply irrespective of whether diplomatic or consular relations exist between the two Contracting Parties.

## **Article 13.**

(1) This Treaty shall be subject to ratification; The instruments of ratification shall be exchanged as soon as possible in Ulan Bator.

(2) This Treaty shall enter into force one month after the exchange of the instruments of ratification. It remains in force for ten years; After the expiration of this period, the term of validity shall be extended indefinitely, unless one of the two contracting parties terminates the contract in writing with a notice period of twelve months before the expiry of the contract. After ten years, the contract may be terminated at any time by a period of twelve months.

(3) For investments made up to the date of the expiry of this Treaty, Articles 1 to 12 shall continue to apply for a further twenty years from the date of expiry of the Treaty.

Done at Bonn this 26th day of June, 1991, in two originals, each in the Mongolian and German languages, both texts being equally authentic.

For the Federal Republic of Germany

Genscher

For the Mongolian People's Republic

Gombosuren

## **Protocol**

At the signing of the Treaty between the Federal Republic of Germany and the Mongolian People's Republic on the Promotion and Reciprocal Protection of Capital Investments, the undersigned Plenipotentiaries also agreed on the following provisions, which shall be deemed an integral part of the Treaty:

(1) Ad Article 1

(a) Income from the capital investment and, in the case of its reinvestment, its proceeds shall enjoy the same protection as the capital investment.

(b) In particular, and without prejudice to other procedures for determining nationality, a national of a Contracting Party shall be deemed to be any person holding a national passport issued by the competent authorities of that Contracting Party.

(2) Ad Article 2

The Treaty shall also apply in the territories of the exclusive economic zone and the continental shelf to the extent that international law permits the exercise of sovereign rights or powers in these territories by the Party concerned.

(3) Ad Article 3

(a) For the purposes of paragraph 2 of Article 3, "activity" shall include, but not be limited to, the management, use, enjoyment and enjoyment of a capital investment. The following in particular shall be regarded as "less favorable" treatment within the meaning of Article 3: the restriction of the purchase of raw materials and supplies, energy and fuels, and means of production and operation of all kinds, the obstruction of the sale of products at home and abroad, and other measures having a similar effect. Measures to be taken for reasons of public safety and order, public health or morality shall not be considered as "less favorable" treatment within the meaning of Article 3.

(b) The provisions of Article 3 shall not oblige a Party to extend to individuals and companies resident in the territory of the other Party tax advantages, exemptions and reductions which, under the tax laws, are granted only to individuals and companies resident in its territory.

(c) The Parties shall give favorable consideration, within the framework of their domestic legislation, to applications for entry and residence of persons of one Party who wish to enter the territory of the other Party in connection with an investment of capital; the same shall apply to workers of one Party who wish to enter and reside in the territory of the other Party in connection with an investment of capital in order to engage in activities as workers. Applications for work permits shall also be considered favorably.

(4) Ad Article 4

A claim for compensation shall also exist if the enterprise which is the subject of the capital investment is interfered with by government measures and its economic substance is thereby substantially impaired.

(5) Ad Article 7

For the purposes of Article 7(1), a transfer shall be deemed to have been effected "without undue delay" if it is effected within a period of time normally necessary for compliance with the transfer formalities. The period shall commence with the submission of a complete application in due form and shall under no circumstances exceed two months.

(6) In the case of transportation of goods and persons related to a capital investment, a Party shall neither eliminate nor hinder the transportation companies of the other Party and shall, to the extent necessary, grant authorizations to carry out the transportation. This includes transports of

(a) goods directly intended for capital investment within the meaning of the treaty or acquired in the territory of a Party or a third State by or on behalf of an enterprise in which assets within the meaning of the treaty are invested;

b) persons traveling in connection with an investment.

Done at Bonn, June 26, 1991, in two originals, each in the German and Mongolian languages, each text being equally authentic.

For the Federal Republic of Germany

Genschler

For the Mongolian People's Republic

Gombosuren

