

# **THE SUPPLEMENTARY AGREEMENT ON INVESTMENTS OF THE FREE TRADE AGREEMENT BETWEEN THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE REPUBLIC OF CHILE**

The Government of the People's Republic of China ("China") and the Government of the Republic of Chile ("Chile"), hereinafter referred to as "the Parties",

Recalling Article 120 of the Free Trade Agreement between the Government of the People's Republic of China and the Government of the Republic of Chile on conclusion of the negotiations on Investments;

Agree as follows:

## **Section A. Definitions**

### **Article 1. Definitions**

For the purposes of this Supplementary Agreement, hereinafter referred to as "the Agreement":

Centre means the International Centre for Settlement of Investment Disputes (ICSID) established by the ICSID Convention;

Claimant means an investor of a Party that is a party to an investment dispute with the other Party;

Commission means the Free Trade Commission established under Article 97 (The Free Trade Commission) of the Free Trade Agreement;

Committee means the Committee on Investments established under Article 27 (Committee on Investments) of this Agreement;

Disputing parties means the claimant and the respondent;

Disputing party means either the claimant or the respondent;

Free Trade Agreement means the Free Trade Agreement between the Government of the People's Republic of China and the Government of the Republic of Chile done in Pusan, Korea on November 18, 2005;

Freely usable currency means freely usable currency as determined by the International Monetary Fund under its Articles of Agreement;

ICSID Additional Facility Rules means the Rules Governing the Additional Facility for the Administration of Proceedings by the Secretariat of the International Centre for Settlement of Investment Disputes;

ICSID Convention means the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington, March 18, 1965;

Investment means every kind of asset that an investor owns or controls, that has the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk, invested by investors of one Party in accordance with the laws and regulations of the other Party in the territory of the latter, and in particular, though not exclusively, includes:

(a) tangible or intangible, movable, immovable property and related property rights such as mortgages, liens, leases and pledges;

(b) shares, debentures, stock and any other kind of participation in enterprises;

- (c) claims to money or to any other performance having an economic value associated with an investment (1);
- (d) intellectual property rights;
- (e) concessions conferred by law or under contract, including concessions to search for, cultivate, extract or exploit natural resources;
- (f) bonds, loans, and other debt instruments; (2) (3) and
- (g) futures, options, and other derivatives;

But investment does not mean an order or judgment entered in a judicial or administrative action;

Investor means a national or an enterprise of one Party who has invested in the territory of the other Party:

(a) the term "national" means:

- (i) with respect to China, a natural person who has the Chinese nationality, in accordance with its laws and regulations; and
- (ii) with respect to Chile, a natural person who has the Chilean nationality, in accordance with its laws and regulations;

(b) the term "enterprise" means any entities, including companies, firms, associations, partnerships and other organizations, incorporated or constituted under the laws and regulations of either Party, irrespective of whether or not for profit and whether it is owned or controlled by private person or government or not;

Measure means any measure by a Party, whether in the form of a law, regulation, rule, procedure, decision, administrative action, or any other form;

Respondent means the Party that is a party to an investment dispute;

Secretary-General means the Secretary-General of ICSID;

Supplementary Agreement on Trade in Services means the Supplementary Agreement on Trade in Services done in Sanya, China, April 11, 2008;

Tribunal means an arbitration tribunal established under Article 17 (Selection of Arbitrators) or Article 20 (Consolidation of Claims) under Section B (Investment); and

UNCITRAL Arbitration Rules means the arbitration rules of the United Nations Commission on International Trade Law.

(1) For greater certainty, investment does not include loans issued by one Party to the other Party.

(2) Some forms of debt, such as bonds, debentures, and long-term notes, are more likely to have the characteristics of an investment, while other forms of debt, such as claims to payment that are immediately due and result from the sale of goods or services, are less likely to have such characteristics.

(3) For greater certainty, this paragraph shall be interpreted in accordance with Annex C (Public Debt).

## **Section B. Investment (4) (5)**

### **Article 2. Admission of Investments**

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

### **Article 3. National Treatment**

1. Subject to its laws and regulations at the time the investment is made, each Party shall accord to investors of the other Party treatment no less favourable than that it accords, in like circumstances, to its own investors with respect to the operation, management, maintenance, use, enjoyment, or disposal of investment.

2. Subject to its laws and regulations at the time the investment is made, each Party shall accord to investment of investors of the other Party treatment no less favourable than that it accords, in like circumstances, to investments of its own investors with respect to the operation, management, maintenance, use, enjoyment, or disposal of investment.

(4) For greater certainty, this Section is subject to and shall be interpreted in accordance with Annexes A (Expropriation) through C (Public Debt).

(5) For greater certainty, a service supplier that has established a commercial presence in the territory of the other Party shall enjoy all the rights and protections provided for in this Agreement, to the extent that such service supplier is considered an investor, in accordance with Article 1 (Definitions).

## **Article 4. Performance Requirements (6)**

The Parties agree that the provisions of the WTO Agreement on Trade-Related Investment Measures are incorporated mutatis mutandis into this Agreement and shall apply with respect to all investments falling within the scope of this Agreement.

(6) A breach of the obligation contained in this Article does not give an investor the right to submit a claim under Section C (Investor-State Dispute Settlement).

## **Article 5. Most-favoured-nation Treatment (7)**

1. Each Party shall accord to investors of the other Party treatment no less favorable than that it accords, in like circumstances, to investors of any non-Party with respect to the management, conduct, operation, and sale or other disposition of investments in its territory.

2. Each Party shall accord to investments of investors of the other Party treatment no less favorable than that it accords, in like circumstances, to investments in its territory of investors of any non-Party with respect to the management, conduct, operation, and sale or other disposition of investments.

(7) For greater certainty, dispute settlement mechanisms stipulated in other treaties shall not be invoked by investors of either Party.

## **Article 6. Minimum Standard of Treatment**

1. Each Party shall accord to covered investments fair and equitable treatment and full protection and security, in accordance with international law.

2. The concepts of "fair and equitable treatment" and "full protection and security" do not require treatment in addition to or beyond that which is required by the minimum standard of treatment. (8)

3. A determination that there has been a breach of other articles of this Agreement, or articles of other agreement, does not establish that there has been a breach of this Article.

(8) For greater certainty, this Article prescribes the minimum standard of treatment of aliens, in accordance with international custom, as evidenced as a general practice accepted as law as the minimum standard of treatment to be afforded to investments of investors of the other Party.

## **Article 7. Compensation for Losses**

Investors of a Party who suffer losses in respect of their investments owing to war, a state of national emergency, insurrection, riot or other similar events in the territory of the other Party, shall be accorded by the latter Party, treatment no less favourable than that accorded to the investors of its own or any non-Party, whichever is more favourable to the investor concerned, as regards restitution, indemnification, compensation and other settlements.

## **Article 8. Expropriation and Compensation (9)**

1. Neither Party shall expropriate or nationalize, either directly or indirectly through measures equivalent to expropriation or nationalization (hereinafter referred to as "expropriation") against investments of investors of the other Party in its territory, unless the following conditions are met:

(a) for the public interest; (10)

(b) under domestic legal procedure and respecting due process;

(c) without discrimination; and

(d) against compensation in accordance with paragraphs 2 through 4.

2. The compensation mentioned in subparagraph 1(d) of this Article shall be equivalent to the fair market value of the expropriated investments immediately before the expropriation took place ("the date of expropriation") or the impending expropriation becomes public knowledge, whichever is earlier. The compensation shall also include interest at a reasonable commercial rate until the date of payment. The compensation shall be made without undue delay, be effectively realizable and freely transferable.

3. If the fair market value is denominated in a freely usable currency, the compensation paid shall be no less than the fair market value on the date of expropriation, plus interest at a commercially reasonable rate for that currency, accrued from the date of expropriation until the date of payment.

4. If the fair market value is denominated in a currency that is not freely usable, the compensation paid - converted into the currency of payment at the market rate of exchange prevailing on the date of payment - shall be no less than:

(a) the fair market value on the date of expropriation, converted into a freely usable currency at the market rate of exchange prevailing on that date; and

(b) interest, at a commercially reasonable rate for that freely usable currency, accrued from the date of expropriation until the date of payment.

5. This Article does not apply to the issuance of compulsory licenses or to the revocation or limitation of intellectual property rights, to the extent that such revocation or limitation is in accordance with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights, mutatis mutandis, or with other intellectual property agreement to which both Parties are parties.

(9) For greater certainty, this Article shall be interpreted in accordance with Annex A (Expropriation).

(10) Domestic law may express this concept using different terms, such as "public necessity" and "public purpose".

## **Article 9. Transfers (11) (12)**

1. Each Party shall permit investors of the other Party the transfer of their investments and returns into and out of the territory of the former Party, including:

(a) profits, dividends, capital gains, interests and other legitimate income;

(b) amounts from total or partial sales or liquidation of investments;

(c) payments made pursuant to a loan agreement in connection with an investment;

(d) royalty payments;

(e) payments of technical assistance or technical service fee, management fee;

(f) payments in connection with projects on contract associated with an investment;

(g) earnings of nationals of a Party who work in connection with an investment in the territory of the other Party;

(h) the free transfer of compensation and other payments under Article 7 (Compensation for Losses) and Article 8 (Expropriation and Compensation);

(i) payments arising out of a dispute; or

(j) returns in kind.

2. Each Party shall permit transfers in connection with an investment of investors of the other Party to be made without undue delay in a freely usable currency at the market rate of exchange prevailing on the date of transfer.

3. Notwithstanding paragraphs 1 and 2, a Party may prevent a transfer through the equitable, non-discriminatory, and good faith application of its laws relating to:

(a) bankruptcy, insolvency, or the protection of the rights of creditors;

(b) issuing, trading, or dealing in securities, futures, options, or derivatives;

(c) criminal or penal offenses;

(d) ensuring compliance with orders or judgments in judicial or administrative proceedings; or

(e) financial reporting or record keeping of transfers when necessary to assist law enforcement or financial regulatory authorities.

(11) For greater certainty, this Article is subject to Annex B (Transfers).

(12) For greater certainty, if the investor chooses to invest under DL 600, Chile shall guarantee the right of repatriation of the capitals of investments made by Chinese investors under the terms and conditions of DL 600, once a one year period has elapsed from the date of transfer to Chile. Likewise, if the investor chooses to invest under Law 18.657 Foreign Capital Investment Fund Law, Chile shall guarantee the right of repatriation of the capitals of investments made by the said funds, once a three year period has elapsed from the date of transfer to Chile.

## **Article 10. Subrogation**

If a Party or its agency makes payment to an investor under a guarantee it has granted to an investment of such investor in the territory of the other Party, such other Party shall recognize the transfer of any right or claim of such investor to the former Party or its agency and recognize the subrogation of the former 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 the said investor.

## **Article 11. Denial of Benefits**

Subject to prior notification and consultation, a Party may deny the benefits of this Agreement to an investor of the other Party and to investments of that investor if the investor is an enterprise:

(a) owned or controlled either by persons of a non-Party or of the denying Party; and

(b) has no substantive business operations in the territory of the other Party.

## **Article 12. Exclusions**

1. This Agreement does not apply to:

(a) Financial Services as defined in Article 17 (Definitions) of the Supplementary Agreement on Trade in Services; (13)

(b) any act or fact that took place or any situation that ceased to exist before the date of entry into force of this Agreement;

(c) laws, regulations, policies or procedures of general application governing the procurement by government agencies of goods and services purchased for governmental purposes and not with a view to commercial resale or with a view to use in the production of goods or the supply of services for commercial sale; and

(d) subsidies or grants provided by a Party, including government-supported loans, guarantees, and insurance.

2. Notwithstanding Article 5 (Most-Favoured-Nation Treatment), the Parties reserve the right to accord differential treatment to third countries with respect to measures adopted under any international agreement in force or signed prior to the date of entry into force of this Agreement.

3. The Parties reserve the right to accord differential treatment to third countries under any international agreement in force or signed after the date of entry into force of this Agreement involving:

- (a) aviation;
- (b) fisheries;
- (c) maritime matters, including salvage;
- (d) any customs union, economic union, monetary union and agreement resulting in such unions, or similar institutions; and
- (e) any arrangements for facilitating small scale frontier trade in border areas.

(13) Upon request of a Party, the Parties shall commence negotiations on Financial Services on a mutually advantageous basis.

## **Section C. Investor-State Dispute Settlement**

### **Article 13. Consultations and Negotiations**

In the event of an investment dispute, the claimant and the respondent shall initially seek to resolve the dispute through consultations and negotiations, which may include the use of non-binding third-party procedures, where this is acceptable to both parties to the dispute. Such consultations shall be initiated by a written request for consultations in the territory of the respondent delivered by the claimant to the respondent.

### **Article 14. Submission of a Claim to Arbitration**

1. If an investment dispute has not been resolved within 6 months from the receipt by the respondent of a request for consultations, the claimant, on its own behalf, may submit to arbitration under this Section a claim that:

- (a) the respondent has breached an obligation under Section B (Investment); and
- (b) the claimant has incurred loss or damage by reason of, or arising out of, that breach.

2. At least 90 days before submitting any claim to arbitration under this Section, a claimant shall deliver to the respondent a written notice of its intention to submit the claim to arbitration ("notice of intent"). The notice of intent shall specify:

- (a) the name and address of the claimant;
- (b) for each claim, the provision of this Agreement alleged to have been breached;
- (c) the legal and factual basis for each claim; and
- (d) the relief sought and the approximate amount of damages claimed.

3. If the claimant has not submitted the dispute for resolution to the competent court of the Party receiving the investment, the claimant may submit a claim referred to in paragraph 1 to: (14)

- (a) arbitration under arbitration rules of the Centre, under the ICSID Convention;
- (b) arbitration under the ICSID Additional Facility Rules provided that either the non-disputing Party or the respondent, but not both, is a party to the ICSID Convention;
- (c) arbitration under the UNICTRAL Arbitration Rules; and
- (d) if agreed with the disputing Party, any arbitration under other arbitration rules.

4. A claim shall be deemed submitted to arbitration under this Section when the claimant's notice of, or request for, arbitration is received under the applicable arbitral rules.

5. The arbitration rules applicable under paragraph 3, and in effect on the date the claim or claims were submitted to arbitration under this Section, shall govern the arbitration except to the extent modified by this Agreement.

(14) China requires the investor concerned to go through the domestic administrative review procedures specified by the laws and regulations

of China before the submission to the international arbitration. This procedure shall not exceed 3 months, which may be prolonged accordingly to the amendment of the "Administrative Review Law", in due process. For greater certainty, the domestic administrative procedure does not impair the right of the investor to submit the claim accordingly with Article 14.3.

## **Article 15. Consent of Each Party to Arbitration**

1. Each Party consents to the submission of a claim to arbitration under this Section in accordance with this Agreement.
2. The consent under paragraph 1 and the submission of a claim to arbitration under this Section shall be deemed to satisfy the requirements of Chapter II (Jurisdiction of the Centre) of the ICSID Convention and the ICSID Additional Facility Rules for written consent of the parties to the dispute.

## **Article 16. Conditions and Limitations on Consent of Each Party**

1. No claim may be submitted to arbitration under this Section if more than 3 years have elapsed from the date on which the claimant first acquired, or should have first acquired, knowledge of the breach alleged under Article 14.1 causing loss or damage to a claimant.
2. The claimant may submit a claim:
  - (a) before any court under the law of the respondent; or
  - (b) to international arbitration referred to in Article 14.3 accompanied by the claimant's:
    - (i) consent in writing to arbitration in accordance with the procedures set out in this Agreement; and
    - (ii) a written waiver of any right to initiate proceedings before any administrative tribunal or court under the law of the respondent.

For greater certainty, the claimant's choice of one forum shall be definitive and exclusive.

3. Notwithstanding paragraph 2(b)(ii), the claimant may initiate an action that seeks interim injunctive relief and does not involve the payment of monetary damages before any court under the law of the respondent, provided that the action is brought for the sole purpose of preserving the claimant's rights and interests during the pendency of the arbitration.

## **Article 17. Selection of Arbitrators**

1. Unless the disputing parties otherwise agree, the tribunal shall comprise three arbitrators, one arbitrator appointed by each of the disputing parties and the third, who shall be the presiding arbitrator, appointed by agreement of the disputing parties and who shall be a national of a third country.
2. The Secretary-General shall serve as appointing authority for an arbitration under this Section.
3. Even without the consent of the tribunal that he or she was a member, where any arbitrator appointed as provided for in this Section resigns or becomes unable to act, a successor shall be appointed in the same manner as prescribed for the appointment of the original arbitrator and the successor shall have all the powers and duties of the original arbitrator.

## **Article 18. Preliminary Objections**

1. The respondent may, no later than 30 days after the constitution of the tribunal, file an objection that a claim is manifestly without merit or is otherwise outside the jurisdiction or competence of the tribunal or that, as a matter of law, a claim submitted is not a claim for which an award in favour of the claimant may be made under Article 21 (Awards). The respondent shall specify as precisely as possible the basis for the objection.
2. The tribunal shall address any such objection as a preliminary question apart from the merits of the claim. For this purpose, the tribunal shall suspend any proceedings on the merits. The parties shall be given a reasonable opportunity to present their views and observations to the tribunal. If the tribunal decides that the claim is manifestly without merit, or is otherwise not within the jurisdiction or competence of the tribunal, it shall render a decision to that effect.
3. The tribunal may, if warranted, award the prevailing party reasonable costs and fees incurred in submitting or opposing the objection. In determining whether such an award is warranted, the tribunal shall consider whether either the claim or the objection was frivolous or manifestly without merit, and shall provide the parties a reasonable opportunity to comment.

## **Article 19. Governing Law**

1. Subject to paragraph 2 of this Article, an arbitral tribunal established under Article 17 (Selection of Arbitrators) or Article 20 (Consolidation of Claims) shall decide the issues in dispute in accordance with this Agreement, the applicable rules of international law and the law of the respondent (including its rules on the conflict of laws).

2. The Committee may issue an interpretation of a provision of this Agreement. This joint interpretation shall be binding on a tribunal established under this Section, and any award must be consistent with that joint interpretation.

## **Article 20. Consolidation of Claims**

Where two or more investors notify an intention to submit claims to arbitration which have a question of law or fact in common and arise out of the same events or circumstances, the disputing parties shall consult with a view to consolidate the claims, including the procedures to apply and the forum chosen to hear the dispute.

## **Article 21. Awards**

1. Where a tribunal makes a final award against a respondent, the tribunal may award, separately or in combination, only:

(a) monetary damages and any applicable interest; and/or

(b) restitution of property, in which case the award shall provide that the respondent may pay monetary damages and any applicable interest in lieu of restitution.

A tribunal may also award costs and attorneys' fees in accordance with this Section and the applicable arbitration rules.

2. A tribunal may not award punitive damages.

3. An award made by a tribunal shall have no binding force except between the disputing parties and in respect of the particular case.

4. A disputing party may not seek enforcement of a final award until:

(a) in the case of a final award made under the ICSID Convention:

(i) 120 days have elapsed from the date the award was rendered and no disputing party has requested revision or annulment of the award; or

(ii) revision or annulment proceedings have been completed; and

(b) in the case of a final award under the ICSID Additional Facility Rules, the UNCITRAL Arbitration Rules, or the rules selected pursuant to Article 14.3(d):

(i) 90 days have elapsed from the date the award was rendered and no disputing party has commenced a proceeding to revise, set aside, or annul the award; or

(ii) a court has dismissed or allowed an application to revise, set aside, or annul the award and there is no further appeal.

5. Subject to paragraph 4, a disputing party shall abide by and comply with an award without undue delay. Both Parties shall commit themselves to the enforcement of the award.

## **Section D. Exceptions**

### **Article 22. Essential Security**

For the purposes of this Agreement, Article 100 (Essential Security) of the Free Trade Agreement is incorporated into and made part of this Agreement.

### **Article 23. Taxation**

1. For the purposes of this Article, tax convention means a convention for the avoidance of double taxation or other international taxation agreement or arrangement in force between the Parties.



2. Except as provided in this Article, nothing in this Agreement shall apply to taxation measures.

3. Nothing in this Agreement shall affect the rights and obligations of the Parties under any tax convention in force between the Parties. In the event of any inconsistency relating to a taxation measure between this Agreement and such tax convention, the latter shall prevail to the extent of the inconsistency. In the case of a tax convention between the Parties, the competent authorities under that convention shall have sole responsibility for determining whether any inconsistency exists between this Agreement and that convention.

## **Article 24. Measures to Safeguard the Balance of Payments**

1. Where a Party is in serious balance-of-payments and external financial difficulties or threat thereof, it may adopt or maintain restrictive measures with regard to payments and transfers.

2. Restrictions adopted or maintained under paragraph 1 shall:

(a) be consistent with the Articles of Agreement of the International Monetary Fund;

(b) avoid unnecessary damage to the commercial, economic and financial interests of the other Party;

(c) not exceed those necessary to deal with the circumstances described in paragraph 1;

(d) be temporary and be phased out progressively as the situation specified in paragraph 1 improves; and

(e) be applied on a non-discriminatory basis.

3. In determining the incidence of such restrictions, the Parties may give priority to economic sectors which are more essential to their economic development. However, such restrictions shall not be adopted or maintained for the purpose of protecting a particular sector.

4. Any restrictions adopted or maintained by a Party under paragraph 1, or any changes therein, shall be promptly notified to the other Party.

5. The Party adopting or maintaining any restrictions under paragraph 1 shall promptly commence consultations with the other Party in order to review the measures adopted or maintained by it.

## **Section E. Final Provisions**

### **Article 25. Transparency**

1. Notwithstanding Article 73 (Publication) of the Free Trade Agreement, each Party shall promptly publish, or otherwise make publicly available, its laws, regulations, procedures and administrative rulings and judicial decisions of general application as well as international agreements which may affect the investments of investors of one Party in the territory of the other Party.

2. Notwithstanding Article 103 (Disclosure of Information) of the Free Trade Agreement, nothing in this Agreement shall require a Party to furnish or allow access to any confidential or proprietary information, including information concerning particular investors of investments, the disclosure of which would impede law enforcement or be contrary to its laws protecting confidentiality or prejudice legitimate commercial interests of particular investor.

### **Article 26. State-state Dispute Settlement**

Chapter X (Dispute Settlement) of the Free Trade Agreement shall apply to this Agreement

### **Article 27. Committee on Investments**

1. The Parties hereby establish a Committee on Investments, comprising representatives of each Party.

2. The Committee shall meet on the request of either Party or the Commission to consider any matter arising under this Agreement.

3. The Committee's functions shall include:

(a) to exchange legal information and investment opportunities;

(b) to review the implementation of this Agreement;

(c) to issue interpretations of any provisions of this Agreement, in accordance with Article 19.2; and

(d) to consider any other issues in connection with this Agreement.

## **Article 28. Annexes and Footnotes**

The annexes and footnotes to this Agreement constitute an integral part of this Agreement.

## **Article 29. Relation between this Agreement and the Free Trade Agreement**

This Agreement and the Annexes and footnotes to this Agreement constitute an integral part of the Free Trade Agreement.

## **Article 30. Amendments**

1. The Parties may agree on any modification or addition to this Agreement.

2. When so agreed, and entered into force according to Article 31 (Entry into Force), any modification or addition shall constitute an integral part of this Agreement.

3. If any provision of the Free Trade Agreement that the Parties have incorporated into this Agreement is amended, the Parties shall consult on whether to amend this Agreement.

## **Article 31. Entry Into Force**

1. The entry into force of this Agreement is subject to the completion of necessary domestic legal procedures by each Party.

2. This Agreement shall enter into force 60 days after the date of the last written notification by which the parties communicate that such procedures have been completed or after such other period as the Parties may agree.

## **Article 32. Duration and Termination**

1. The Agreement shall remain in force for a period of 5 years.

2. After the expiration of the initial 5-year-period, this Agreement shall continue to be in force until either Party terminates this Agreement at any time thereafter. The termination will be effective 6 months after a written notice of termination has been received by the other Party.

3. With respect to the investment made prior to the date of termination of this Agreement, the Agreement shall continue to be effective for a further period of 10 years from such date of termination.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE in triplicate at Vladivostok, Russian Federation on September ^, 2012 in Chinese, Spanish and English languages. The three texts of this Agreement are equally authentic. In the event of divergence, the English text shall prevail.

FOR THE GOVERNMENT OF THE REPUBLIC OF CHILE

FOR THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA

## **ANNEX A. EXPROPRIATION**

The Parties confirm their shared understanding that:

1. A measure or a series of measures by a Party cannot constitute an expropriation unless it interferes with a tangible or intangible property right or property interest in an investment.

2. Article 8.1 addresses two situations. The first is direct expropriation, where an investment is nationalized or otherwise directly expropriated through formal transfer of title or outright seizure.

3. The second situation addressed by Article 8.1 is indirect expropriation, where a measure or series of measures by a Party has an effect equivalent to direct expropriation without formal transfer of title or outright seizure.

(a) The determination of whether a measure or series of measures by a Party, in a specific fact situation, constitutes an indirect expropriation, requires a case-by-case, fact-based inquiry that considers, among other factors:

(i) the economic impact of the measure, although the fact that a measure or series of measures by a Party has an adverse effect on the economic value of an investment, standing alone, does not establish that an indirect expropriation has occurred;

(ii) the extent to which the measure interferes with distinct, reasonable investment-backed expectations; and

(iii) the character of the measure.

(b) Except in rare circumstances, non-discriminatory regulatory actions by a Party that are designed and applied to protect legitimate public welfare objectives, such as public health, safety, and the environment, do not constitute indirect expropriations.

## **ANNEX B. TRANSFERS**

1. For greater certainty, regarding transfers covered by this Agreement, the Republic of Chile states that in order to ensure currency stability and the normal operation of domestic and foreign payments, the Central Bank of Chile is empowered to maintain or adopt measures in conformity with the Constitutional Organic Law of the Central Bank of Chile (Ley Organica Constitucional del Banco Central de Chile, Law 18.840) or other legislation. For this purpose, the Central Bank of Chile is empowered to regulate the supply of money and credit in circulation and international credit and foreign exchange operations. The Central Bank of Chile is empowered as well to issue regulations governing monetary, credit, financial, and foreign exchange matters. Such measures include, inter alia, the establishment of restrictions or limitations on current payments and transfers (capital movements) to or from Chile, as well as transactions related to them, such as requiring that deposits, investments or credits from or to a foreign country, be subject to a reserve requirement (" encaje ").

2. Notwithstanding paragraph 1, the reserve requirement that the Central Bank of Chile can apply pursuant to Article 49 N° 2 of Law 18.840, shall not exceed 30 percent of the amount transferred and shall not be imposed for a period which exceeds 2 years.

3. When applying measures under this Annex, Chile, as established in its legislation, shall not discriminate between China and any third country with respect to transaction of the same nature.

4. In the case of China, the obligation in Article 9.1 shall apply provided that the transfer shall comply with the relevant formalities stipulated by the present laws and regulations of China relating to exchange control provided that:

(a) these formalities shall not be used as a means of avoiding China's commitments or obligations under this Agreement;

(b) in this respect, China shall accord to investors of Chile treatment no less favourable than it accords to investors of any third country;

(c) the formalities shall be effected within such period as is normally required for the completion of transfer formalities. The said period shall commence on the day on which the relevant request has been submitted to the relevant foreign exchange administration with full and authentic documentation and information and may on no account exceed 60 days; and

(d) transfer formalities relating to an investment shall in no case be made more restrictive than formalities required at the time when the original investment was made.

## **ANNEX C. PUBLIC DEBT CHILE**

The rescheduling of the debts of Chile, or of its appropriate institutions owned or controlled through ownership interests by Chile, owed to the People's Republic of China and the rescheduling of its debts owed to creditors in general are not subject to any provision of Section B (Investment) other than Article 3 (National Treatment) and Article 5 (Most-Favoured-Nation Treatment).

## **ANNEX D. END OF THE BILATERAL INVESTMENT AGREEMENT**

1. Both Parties agree that "*Agreement between the Government of the People's Republic of China and the Government of the Republic of Chile concerning the Encouragement and the Reciprocal Protection of Investment*", hereinafter referred to as "BIT", done in Santiago on March 23, 1994, shall no longer be in effect upon the entry into force of this Agreement, as well as all the rights and obligations derived from the BIT.
2. Notwithstanding paragraph 1, the BIT shall continue to apply to any investment (as defined in the BIT) which was made before the entry into force of this Agreement with respect to any act, fact that took place or situation that ceased to exist or any dispute or any claim which originated before the entry into force of this Agreement.
3. Notwithstanding paragraph 2, an investor may only submit a claim under Article 9 (Settlement of Disputes between an Investor and a Host State) of the BIT within one year from the date of entry into force of this Agreement.