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

The Republic of Bolivia and Ecuador hereinafter referred to as the "Contracting Parties";

Desiring to intensify economic cooperation between the two countries;

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

Recognizing that the promotion and protection of such investment based on an agreement will stimulate economic initiative individually and will increase prosperity in both States;

Aware of the need to establish an appropriate legal framework regulating and ensure the reciprocal promotion and protection of investments between the two countries;

Have agreed as follows:

Article I. 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;

b. Stocks, shares and any other kind of participation in companies;

c. Credit rights and entitlements 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. If national laws permit, intellectual property rights;

e. Economic concessions conferred by law or contract and any licences and permits granted pursuant to law; and

f. Reinvestment of profits.

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

2. The term "investor" means:

a. Any natural person who is a national of one of the Contracting Parties, in accordance with its laws; and

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 and has made investments in the territory of the other contracting party.

3. The term "proceeds" means all amounts resulting from an investment such as profits, dividends, interests and other current income.

4. The term "territory" means:

i. With respect to the Republic of Bolivia, includes any area subject to the sovereignty and jurisdiction of Bolivia, according to their respective legislation and international law.

ii. With respect to the Republic of Ecuador, includes the national territory, including the territorial sea and any maritime areas adjacent to the outer limit of the territorial sea over which, in accordance with its legislation and international law, sovereign, may exercise sovereign rights or jurisdiction.

Article II. Investment Promotion

1. 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.

2. Each Contracting Party in accordance with its laws, allow investors of the other contracting party to engage, managerial and technical expertise, at his choice regardless of nationality.

3. Furthermore, the Contracting Parties in accordance with its laws, shall allow investors of the other contracting party, the Entry and Sojourn in its territory in order to implement and administer its investment.

4. Each Contracting Party shall guarantee to investors of the other Contracting Party the free access to the courts and other bodies exercising judicial authority.

5. Each Contracting Party shall publicize and disseminate laws and regulations related to investments of investors of the other contracting party. Similarly, they will also exchange of information on investment in each Contracting Party.

Article III. Protection of Investments

1. Each Contracting Party shall ensure at all times a fair and equitable treatment of the investments of investors of the other Contracting Party, and shall not prejudice its management, maintenance, use, enjoyment or disposition through unjustified or discriminatory measures.

2. Each Contracting Party, once it has admitted in its territory investments of investors of the other Contracting Party, will grant full legal protection to such investments and will grant them a treatment no less favorable than that granted to the investments of its own national investors or of investors from 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 agrees to investors of third States as a result 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 investors of the other Contracting Party the benefit of any treatment, preference or privilege resulting from any international agreement regarding tax matters.

Article IV. 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 judicial proceedings.

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 becomes public. If this occurs earlier, shall include interest from the date of expropriation to the prevailing commercial rate from the date of expropriation until the date of payment. The interest and compensation where appropriate, shall be paid without delay, be effectively realizable and freely transferable.

2. Investors of one Contracting Party who suffer losses of their investments in the territory of the other Contracting Party owing to war or other armed conflicts, a national state of emergency, revolt, riot or insurrection shall be accorded, with respect to restitution, indemnification, compensation or other relief, treatment no less favourable than the right to its own investors to investors or of any third State. Such payments shall be freely transferable.

Article V. Transfers

1. Each Contracting Party shall guarantee to investors of the other Contracting Party the unrestricted transfer of investments and returns provided that the capital is registered with the competent national body and upon payment of taxes, in particular, though not exclusively:

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

b. The benefits profits, interest, dividends, royalties and other current income;

c. External amortisation of loans related to an investment as defined in article 1, paragraph (1) (c);

d. The proceeds of the total or partial sale or liquidation of an investment; and

e. Payments arising from the settlement of disputes and the compensation provided for in article IV.

2. Transfers shall be made in a freely convertible currency, at the rate of exchange prevailing on the date of transfer and under the law and regulations of the Contracting Party which has admitted the investment. The latter shall not affect the substance or the exercise of those under this article.

Article VI. Subrogation

1. If a Contracting Party or any of its agencies made a payment to an investor by virtue of a guarantee or insurance that has engaged in connection with an investment, the other Contracting Party shall recognize the validity of the subrogation in favour of the Contracting Party or any of its agencies in respect of any right or title of the investor. The Contracting Party or any of its agencies shall be authorized, within the limits of subrogation to exercise the rights which the investor would have been entitled to exercise these rights, provided that remain in force or legally recognized by the other contracting party.

2. In the case of subrogation, as defined in paragraph (1) of this Article, the investor shall not pursue a claim unless he is authorized to do so by the contracting party or its agency.

Article VII. Implementation of other Rules

If the legislation 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 party contain rules whether general or specific otorgaren to investments made by investors of the other contracting party to a more favourable treatment than that established in the present Agreement, such rules shall to the extent that they are more favourable.

Article VIII. Settlement of Disputes between the Contracting Parties

1. Any dispute arising between the contracting parties concerning the interpretation or application of this Agreement shall, if possible 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 of the contracting parties 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 members shall select a national of a third State who on approval of the two Contracting Parties, will be appointed President of the tribunal. The President will be appointed within a period of two months from the date of appointment of the other two members.

4. If, within the time limits provided for in paragraph (3) of this article, the necessary designations have not been made, any of the Contracting Parties may, in the absence of any other arrangement, invite the President of the International Court of Justice to proceed to the necessary appointments. If the President is a national of one of the Contracting Parties or when, for any reason, he is prevented from performing said function, the Vice President shall be invited to make the necessary appointments. If the Vice President is a national of one of the Contracting Parties, or if he is also prevented from performing that function, the member of the International Court of Justice who immediately follows him in the order of precedence and is not a national of any of the Contracting Parties, will be invited to make the necessary appointments.

5. The Arbitral Tribunal would make its decision by majority vote. Such decision shall be binding and final for both

Contracting Parties. Each Contracting Party shall bear the expenses of its member of the Court and his representation in the arbitration proceeding. The expenses of the President, as well as the other expenses, will be borne in principle by equal parties by the Contracting Parties. However, the Arbitral Tribunal may determine in its decision that a greater proportion of the expenses be borne by one of the two Contracting Parties, and this award shall be binding and unappealable for both Contracting Parties. The Court will determine its own procedure.

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

1. Any dispute concerning the provisions of this agreement between an investor of one Contracting Party and the other Contracting Party, it 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 the investor has submitted the dispute to the jurisdiction of the Contracting Party concerned or to international arbitration, the choice of one of these procedures is final and exclusive.

3. In the event of recourse to international arbitration, the dispute may be brought, at the choice of the investor:

○ 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 (ICSID), opened for signature at Washington on 18 March 1965.

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

4. The arbitral tribunal shall decide on the basis of the provisions of this Convention on the Law of the Contracting Party which is a party to the dispute including its rules on the Conflict of Laws, to the terms of any specific agreement concluded in relation to the investment as well as the principles of international law.

5. The arbitral awards shall be final and binding and not subject to appeal to the parties to the dispute. Each Contracting Party shall execute the In accordance with its legislation.

6. The contracting parties may not interfere by means of diplomatic actions disputes submitted to court proceedings or international arbitration in accordance with the provisions of this article, until the relevant processes are completed, except where the other party in the dispute has not complied with the court decision or the decision of the arbitral tribunal, under the terms established in the respective decision or award.

Article X. Scope

This Agreement shall apply to all investments made before or after the Entry into Force of this Convention by investors of one Contracting Party, in accordance with the laws of the other Contracting Party in the territory of the latter. However, it shall not apply to disputes or differences arising prior to its entry into force.

Article XI. Consultations

The Contracting Parties shall consult on any matter relating to the application or interpretation of this Agreement.

Article XII. Final Provisions - Entry Into Force, Duration and Termination

1. This Agreement shall enter into force thirty days after the date on which the contracting parties have notified each other in writing that their respective constitutional requirements for entry into force of this Convention, which shall be valid for a period of ten years and shall be automatically extended for equal periods unless one of the Contracting Parties denounces written notification by one year before the date of implementation of the period of validity.

2. The provisions of Articles I to XI of this Agreement shall remain in force for a further period of ten years from the date of the notice of termination of this Agreement, for investments made prior to that date.

Done in the city of Quito, on the twenty-fifth day of the month of May of nineteen ninety-five, in two original copies, in Spanish, the two texts being equally authentic.

FOR THE REPUBLIC OF BOLIVIA

Antonio Araníbar Quiroga

MINISTER OF FOREIGN AFFAIRS AND WORSHIP

FOR THE REPUBLIC OF ECUADOR

Galo Leoro Franco

MINISTER OF FOREIGN AFFAIRS