AGREEMENT BETWEEN THE REPUBLIC OF CHILE AND THE REPUBLIC OF PARAGUAY FOR THE RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENTS

The Government of the Republic of Chile and the Government of the Republic of Paraguay referred to hereinafter as "Contracting Parties".

Desiring to intensify economic cooperation in the mutual interest of both States;

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

Recognizing the need to promote and protect foreign investment with a view to promoting the economic prosperity of both States;

Have agreed as follows:

Article 1. Definitions

For the purposes of this Agreement:

1. The term "investor "refers to each of the Contracting Parties, the following subjects who has made investments in the territory of the other Contracting Party under this Agreement;

a. Natural persons who, according to the law of that Contracting Party, are considered to be nationals of the same;

b. Legal entities, including companies, corporations, business associations or any other entity duly constituted or otherwise organised under the law of that Contracting Party, having their seat, as well as their effective economic activities in the territory of that Contracting Party;

2. The term "investment" means every kind of assets or rights related to an investment provided that this is done in accordance with the laws and regulations of the Contracting Party in whose territory they are undertaken, and shall include in particular though not exclusively:

a. Movable and immovable property as well as any other rights in rem, such as mortgages, liens, pledges and usufructs:

b. Shares and social quotas and any other kind of participation in companies;

c. Rights of claim or any other performance having economic value;

d. Intellectual Property Rights, including copyrights and industrial property rights, such as patents, technical processes, trademarks or trade names, industrial designs, business names, know-how and goodwill;

e. Concessions conferred by law or under contract, including concessions to cultivate, extract, explore or exploit natural resources.

3. "Territory" includes, in addition to the land, sea and air space under the sovereignty of each Contracting Party, marine and submarine areas over which they exercise sovereign rights and jurisdiction in accordance with their respective laws and international law.

Article 2. Scope

This Agreement shall apply to all investments made before or after its entry into force 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

differences or disputes which have arisen prior to its validity or directly related to events before its Entry into Force,

Article 3. Promotion and Protection of Investments

1. Each Contracting Party shall, subject to its general policy in the field of investment, encourage investments in its territory of investors of the other Contracting Party.

2. Each Contracting Party shall protect within its territory investments made in accordance with its laws and regulations by investors of the other Contracting Party and shall not hinder the management, maintenance, use, enjoyment, extension and sale and liquidation of such investments by unreasonable or discriminatory measures.

Article 4. Treatment of Investments

1. Each Contracting Party shall ensure fair and equitable treatment within its territory to investments of investors of the other Contracting Party and shall ensure that the exercise of the rights recognized shall not be hindered in practice.

2. Each Contracting Party shall accord to investments of investors of the other Contracting Party in its territory treatment no less favourable than that accorded to its own of investments or investors to investors of any third country, whichever is more favourable treatment.

3. If a Contracting Party has accorded special advantages to investors of any third State by virtue of an agreement establishing a free trade area, customs union, economic union, a Common Market or any other form of regional economic organization or by virtue of any agreement relating wholly or mainly to taxation matters, that Party shall not be obliged to accord such advantages to investors of the other Contracting Party.

Article 5. Free Transfer

1. Each Contracting Party shall allow investors to without delay of the other Contracting Party to make the transfer of funds related to investments in a freely convertible currency, in particular, though not exclusively:

a. Profits, dividends, interests and other returns;

b. Repayments of loans from abroad in connection with an investment;

c. The capital or the proceeds of the total or partial sale or liquidation of an investment;

d. The proceeds of the settlement of a dispute and compensation in accordance with article 6;

2. Transfers shall be made in accordance with the rate of exchange prevailing on the date of transfer, according to the Law of the Contracting Party which has admitted the investment.

Article 6. Expropiacion and Compensation

1. Neither Contracting Party shall take any measures depriving, directly or indirectly, to its investment of an investor of the other Contracting Party unless the following conditions are met:

a. The measures are taken for a public purpose, national interest and / or social interest, in accordance with the respective laws;

b. The measures are not discriminatory;

c. The measures are accompanied by provisions for the payment of adequate and effective compensation.

2. The compensation shall be based on the market value of investments affected the immediately preceding the date on which the measure becomes public knowledge. where it is difficult to determine the value, the compensation shall be determined in accordance with generally recognized principles of valuation and equitable, taking into account the invested capital depreciation, capital, repatriated until that date, replacement value and other relevant factors.

3. The legality of expropriation, nationalization or any other measures having an equivalent effect and the amount of compensation may be claimed in ordinary judicial procedure.

4. Investors of either Contracting Party whose investments in the territory of the other Contracting Party are losses due to a war or any other armed conflict, a national state of emergency, civil disturbance or other similar events in the territory of the

other Contracting Party, shall receive from this latter, as regards restitution, indemnification, compensation or other settlement, a treatment no less favourable than that accorded by the other Contracting Party to investors or nationals of any third State.

Article 7. Subrogation

1. If a Contracting Party or an authorised agency has granted a contract of insurance or other forms of financial guarantee against non-commercial risks with regard to an investment by one of its investors in the territory of the other Contracting Party, the latter shall recognize the rights of the first Contracting Party to the rights of subrogation of the investor, when it has made a payment under the contract or guarantee.

2. If a Contracting Party has paid to its investor and has taken by its rights and benefits, the investor shall not claim such rights and benefits to the other Contracting Party, except with the express authorization of the first Contracting Party.

Article 8. Settlement of Disputes between a Contracting Party and an Investor of the other Contracting Party

1. Disputes arising under this agreement between one Contracting Party and an investor of the other Contracting Party which has made investments in the territory of the first, shall, as far as possible, be settled through amicable consultations.

2. If consultations fail to produce an solution within three months from the date of request for settlement, the investor may submit the dispute to:

a. The competent courts of the Contracting Party in whose territory the investment was made; or

b. To international arbitration of the International Centre for Settlement of Investment Disputes (ICSID), established by the Convention on the Settlement of Investment Disputes between States and Nationals of Other States signed in Washington on 18 March 1965.

3. Once the investor has submitted the dispute to the competent court of the Contracting Party in whose territory the investment has been made or the arbitral tribunal, the choice of one or another procedure shall be final.

4. For the purposes of this article, any legal person which is constituted in accordance with the legislation of one Contracting Party and which, before the emergence of the dispute was found in possession of investors of the other Contracting Party, shall be treated in accordance with article 25 (2) (b) Washington of the said Convention, as a juridical person of the other Contracting Party.

5. The arbitral awards shall be final and binding on the parties to the dispute and shall be executed in accordance with the domestic law of the Contracting Party in whose territory the investment has been made.

6. The Contracting Parties shall seek, through diplomatic channels matters related to disputes submitted to court proceedings or international arbitration in accordance with the provisions of this article, until the relevant processes are included, 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 9. Settlement of Disputes between the Contracting Parties

1. Disputes arising between the Contracting Parties concerning the interpretation and/or application of this Agreement shall be settled as far as possible through amicable negotiations.

2. If an agreement cannot be achieved within a period of six months from the date of notification of the dispute, either Contracting Party may submit it to an ad hoc arbitral tribunal in accordance with the provisions of this Article.

3. The arbitral tribunal shall consist of three members and shall be constituted in the following manner: within two months after the date of notification of the request for arbitration, each Contracting Party shall appoint an arbitrator. Those two arbitrators within thirty days after the appointment of the last one, shall select a third member who shall be a national of a third State, who shall chair the Tribunal. the designation of the Chairman shall be approved by the Contracting Parties within thirty days after the date of his nomination.

4. If within the periods specified in paragraph 2 of this Article, the appointment has not been made or required the approval has been granted, either Contracting Party may request the President of the International Court of Justice to make the appointment. If the President of the International Court of Justice is prevented from carrying out the said function or if he is

a national of either Contracting Party, the Vice-President shall make the appointment, and if the latter is prevented or is a national of either of the Contracting Parties, the judge of the Court who in seniority who is not a national of one of the Contracting Parties shall make the appointment.

5. The President of the Tribunal shall be a national of a State with which both Contracting Parties maintain diplomatic relations.

6. The arbitral tribunal shall decide on the basis of the provisions of this Agreement and the principles of international law and the general principles of law recognized by the Contracting Parties. The Tribunal shall decide by a majority of votes and shall determine its own procedural rules.

7. Each Contracting Party shall bear the costs of the arbitrator, as well as those relating to its representation in the arbitral proceedings. The cost of the Chairman and the remaining costs of the proceedings shall be removed in equal parts by the Contracting Parties unless they agree otherwise.

8. The decisions of the Tribunal shall be final and binding on both Contracting Parties.

Article 10. Consultations

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

Article 11. Final Provisions

1. The Contracting Parties shall notify each other when their constitutional requirements for the entry into force of this Agreement have been fulfilled. the Agreement shall enter into force thirty days after the date of the last notification.

2. This Agreement shall remain in force for a period of fifteen years and thereafter shall be extended for an indefinite period. within fifteen years, this Agreement may be denounced at any time by either Contracting Party giving 12 months notice communicated through diplomatic channels.

3. With respect to investments made prior to the date that was made effective notice of termination of this agreement its provisions shall remain in force for a further period of fifteen years from that date.

4. This Agreement shall apply irrespective of the existence of diplomatic relations between the two Contracting Parties.

Done at Asunción, seven of August 1995, in duplicate in the English language, both texts being equally authentic.

For the Government of the Republic of Chile

José Miguel Insulza Salinas

Minister of Foreign Affairs.

For the Government of the Republic of Paraguay

Luis María Ramírez Boettner

Minister of Foreign Affairs.

The signing of the Agreement for the Promotion and Reciprocal Protection of Investments, the Government of the Republic of Chile and the Government of the Republic of Paraguay, agreed on the following provisions which constitute an integral part of the Agreement.

Ad. Article 5

1. Transfers related to investments made in accordance with the schedule of Chile to the conversion of external debt, are governed by special rules that it establishes.

2. The invested capital may be transferred only after one year after its entry into the territory of the Contracting Party,

except that it provides for more favourable treatment.

3. A transfer shall be deemed to be made without delay "when it has been made within the period normally necessary for the completion of the formalities of transfer. the term, which in no case shall exceed thirty days, shall commence at the time of delivery of the request duly submitted.

Done at Asunción, within seven days of the month of August 1995, in duplicate in the English language, both texts being equally authentic.

For the Government of the Republic of Chile

José Miguel Insulza Salinas

Minister of Foreign Affairs.

For the Government of the Republic of Paraguay

Luis María Ramírez Boettner

Minister of Foreign Affairs.