

Agreement
between
the Swiss Confederation
and
the Hungarian People's Republic
on the Reciprocal Promotion and Protection
of Investments

Preamble

The Swiss Federal Council and the Government of the Hungarian People's Republic,

Desiring to intensify economic cooperation to the mutual benefit of both States,

Intending to create and maintain favourable conditions for investments by investors of one Contracting Party in the territory of the other Contracting Party,

Recognizing the need to promote and protect foreign investments with the aim to foster the economic prosperity of both States,

Have agreed as follows:

Article 1

Definitions

For the purpose of this Agreement:

- (1) The term "investor" refers with regard to either Contracting Party to
 - a) natural persons who, according to the law of that Contracting Party, are considered to be its nationals;
 - b) legal entities, including companies, corporations, business associations and other organisations, which are constituted or otherwise duly organised under the law of that Contracting Party and have their seat, together with real economic activities, in the territory of that same Contracting Party;
 - c) legal entities established under the law of any country which are, directly or indirectly, controlled by nationals of that Contracting Party or by legal entities having their seat, together with real economic activities, in the territory of that Contracting Party.
- (2) The term "investments" shall include every kind of assets and particularly:
 - a) movable and immovable property as well as any other rights in rem, such as servitudes, mortgages, liens, pledges;
 - b) shares, parts or any other kinds of participation in companies;

Article 1

- c) claims to money or to any performance having an economic value;
- d) copyrights, industrial property rights (such as patents, utility models, industrial designs or models, trade or service marks, trade names, indications of origin), know-how and goodwill;
- e) concessions under public law, including concessions to search for, extract or exploit natural resources as well as all other rights given by law, by contract or by decision of the authority in accordance with the law.

Article 2

Scope of application

- (1) The present Agreement shall apply to investments in the territory of one Contracting Party, made in accordance with its laws and regulations, by investors of the other Contracting Party if such investments are connected with an economic activity and have been effectuated later than 31 December 1972.
- (2) The present Agreement shall not affect the rights and obligations of the Contracting Parties with respect to investments that are not within the scope of the Agreement.

Article 3

Promotion and admission of investments

- (1) Each Contracting Party shall in its territory promote as far as possible investments by investors of the other Contracting Party and admit such investments in accordance with its laws and regulations.
- (2) When a Contracting Party shall have admitted an investment in its territory, it shall, in accordance with its laws and regulations, grant the necessary permits in connection with such an investment and with the carrying out of licensing agreements and contracts for technical, commercial or administrative assistance. Each Contracting Party shall, whenever needed, endeavor to issue the necessary authorizations concerning the activities of consultants and other qualified persons of foreign nationality.

Article 4

Protection and treatment of investments

- (1) 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 impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment, extension, sale and, should it so happen, liquidation of such investments.
- (2) Each Contracting Party shall ensure fair and equitable treatment within its territory of the investments of the investors of the other Contracting Party. This treatment shall not be less favourable than that granted by each Contracting Party to investments made in its territory by its own investors, or than that granted by each Contracting

Article 4

Party to the investments made in its territory by investors of the most favoured nation, if this latter treatment is more favourable.

- (3) The treatment of the most favoured nation shall not apply to privileges which either Contracting Party accords to investors of a third State because of its membership in, or association with a free trade area, a customs or an economic union.

Article 5

Repatriation and transfer

Each Contracting Party in whose territory investments have been made by investors of the other Contracting Party shall grant those investors the free transfer of the payments relating to these investments, particularly:

- a) of interests, dividends, benefits and other current returns;
- b) of repayments of loans;
- c) of amounts assigned to cover expenses relating to the management of the investment;
- d) of royalties and other payments deriving from rights enumerated in Article 1, paragraph (2), letters c), d) and e) of this Agreement;
- e) of additional contributions of capital necessary for the maintenance or development of the investment;

Article 5

- f) of the proceeds of the sale or of the partial or total liquidation of the investment, including capital appreciation.

Article 6

Expropriation and compensation

- (1) Neither of the Contracting Parties shall take, either directly or indirectly measures of expropriation, nationalization or any other measure having the same nature or the same effect against investments belonging to investors of the other Contracting Party, unless the measures are taken in the public interest, on a non-discriminatory basis, and under due process of law, and provided that provisions be made for effective and adequate compensation. The amount of compensation, interest included, shall be settled in the currency of the country of origin of the investment and paid without delay to the person entitled thereto, without regard to its residence or domicile.

- (2) The investors of one Contracting Party whose investments have suffered losses due to a war or any other armed conflict, revolution, state of emergency or rebellion, which took place in the territory of the other Contracting Party shall benefit, on the part of this latter, from a treatment in accordance with Article 4, paragraph (2) of this Agreement as regards restitution, indemnification, compensation, or other valuable consideration.

Article 7

More favourable provisions

If provisions which have been or will be agreed upon by either of the Contracting Parties with an investor of the other Contracting Party entitle the investor to a treatment more favourable than is provided for by the present Agreement, those provisions shall prevail over the terms set forth by this Agreement.

Article 8

Subrogation

Where one Contracting Party has granted any financial guarantee against non-commercial risks with regard to an investment by an investor in the territory of the other Contracting Party, the latter shall recognize the rights of the first Contracting Party by virtue of the principle of subrogation to the rights of the investor when payment has been made under this guarantee by the first Contracting Party.

Article 9

Settlement of disputes between Contracting Parties

- (1) Disputes between Contracting Parties regarding the interpretation or application of the provisions of this Agreement shall be settled through diplomatic channels.
- (2) If both Contracting Parties cannot reach an agreement within twelve months after the beginning of the dispute between themselves, the latter shall, upon request of either Contracting Party, be submitted to an arbitral tribunal of three members. Each Contracting Party shall appoint one ar-

Article 9

bitrator, and these two arbitrators shall nominate a chairman who shall be a national of a third State.

- (3) If one of the Contracting Parties has not appointed its arbitrator and has not followed the invitation of the other Contracting Party to make that appointment within two months, the arbitrator shall be appointed upon the request of that Contracting Party by the President of the International Court of Justice.
- (4) If both arbitrators cannot reach an agreement about the choice of the chairman within two months after their appointment, the latter shall be appointed upon the request of either Contracting Party by the President of the International Court of Justice.
- (5) If, in the cases specified under paragraphs (3) and (4) of this Article, 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 appointment shall be made by the Vice-President, and if the latter is prevented or if he is a national of either Contracting Party, the appointment shall be made by the most senior Judge of the Court who is not a national of either Contracting Party.
- (6) Subject to other provisions made by the Contracting Parties, the tribunal shall determine its procedure.
- (7) The decisions of the tribunal are final and binding for each Contracting Party.

Article 10

Settlement of disputes between a Contracting Party and an investor of the other Contracting Party

- (1) For the purpose of solving disputes with respect to investments between a Contracting Party and an investor of the other Contracting Party and without prejudice to Article 9 of this Agreement (Settlement of disputes between Contracting Parties), consultations will take place between the parties concerned.

- (2) If these consultations do not result in a solution within six months, the parties to the dispute may proceed as follows:
 - a) A dispute concerning Article 6 of this Agreement shall upon request of the investor be submitted to the International Centre for the Settlement of Investment Disputes instituted by the Convention of Washington of March 18, 1965, on the settlement of investment disputes between States and nationals of other States.

 - b) In the event of a dispute not referred to in paragraph (2), letter a) of this Article the dispute shall be submitted, upon agreement on such submission by both parties to the dispute, to the International Centre for the Settlement of Investment Disputes.

- (3) Should the parties to the dispute disagree on whether the conciliation or arbitration is the most appropriate procedure, the investor shall have the choice. The Contracting Party which is party to the dispute can, at no time whatever during the settlement procedure or the execution of the sentence, allege the fact that the investor has received, by virtue of an insurance contract, a compensation covering the whole or part of the incurred damage.

Article 10

- (4) A company which has been incorporated or constituted according to the laws in force in the territory of the Contracting Party and which, prior to the origin of the dispute, was under the control of nationals or companies of the other Contracting Party, is considered, in the sense of the Convention of Washington and according to its Article 25 (2) (b), as a company of the latter.

Article 11

Observance of commitments

Either Contracting Party shall constantly guarantee the observance of the commitments it has entered into with respect to the investments of the investors of the other Contracting Party.

Article 12

Final provisions

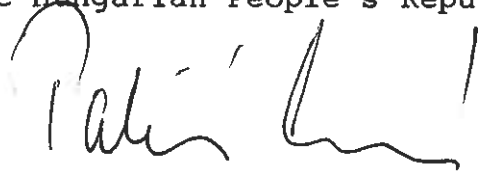
- (1) This Agreement shall enter into force on the day when both Governments have notified each other that they have complied with the constitutional requirements for the conclusion and entry into force of international agreements, and shall remain binding for a period of ten years. Unless written notice of termination is given six months before the expiration of this period, the Agreement shall be considered as renewed on the same terms for a period of five years, and so forth.
- (2) In case of official notice as to the termination of the present Agreement, the provisions of Articles 1 to 11 shall continue to be effective for a further period of ten years for investments made before official notice was given.

Done at *Berlin*, on *October 5 1988* in two originals, in the French, Hungarian and English languages, each text being equally authentic.

For the Swiss Federal
Council



For the Government of
the Hungarian People's Republic



P R O T O C O L

On signing the Agreement between the Swiss Confederation and the Hungarian People's Republic on the Reciprocal Promotion and Protection of Investments, the undersigned plenipotentiaries have, in addition, agreed on the following provisions, which shall be regarded as an integral part of the said Agreement.

Ad Article 1

- a) An investor according to Article 1, paragraph (1), letter c) may be required to submit proof of such control in order to be recognized by the Contracting Party in the territory of which the investment has been or is to be made as an investor of the other Contracting Party.
- b) Investors referred to in Article 1, paragraph (1), letter c) may not raise a claim based on Article 6 of this Agreement if compensation has been paid pursuant to a similar provision in another Investment Protection Agreement concluded by the Contracting Party in the territory of which the investment has been made.

Ad Article 4

- a) It is understood that the treatment provided for by this Article shall be accorded to investments having the form of legal entities in which investors of both Contracting Parties participate.
- b) Membership in an "economic union" includes membership in the Council for Mutual Economic Assistance (CMEA).

Done at *Bern*, on *October 5th 1988* in two originals, in the French, Hungarian and English languages, each text being equally authentic.

For the Swiss Federal
Council



For the Government of
the Hungarian People's Republic

