

**AGREEMENT
BETWEEN
THE GOVERNMENT OF
THE PEOPLE'S REPUBLIC OF CHINA
AND
THE GOVERNMENT OF THE POLISH PEOPLE'S REPUBLIC
ON THE RECIPROCAL ENCOURAGEMENT AND
PROTECTION OF INVESTMENTS**

The Government of the People's Republic of China and The Government of the Polish People's Republic (hereinafter referred to as a "Contracting Party").

Desiring to encourage, protect and create favourable conditions for investments by investors of one Contracting Party in the territory of the other contracting Party based on the principles of mutual respect of sovereignty, equality and mutual benefit and for the purpose of the development of the economic co-operation between both states,

Have agreed as follows:

Article 1

For the purpose of this Agreement,

(a) The term "investments" means every kind of asset made as investment in accordance with the laws and regulations of the Contracting Party accepting the investment in its territory, including mainly:

- (i) movable and immovable property and other rights in rem;
- (ii) shares in companies or other form of interest in such companies;
- (iii) a claim to money or to any performance having an economic value;
- (iv) copyrights, industrial property rights, know-how and technical process;

(b) The term "investor" means:

- (i) any natural person who is a citizen of one of the Contracting Parties and has made an investment in the other Contracting Party's territory;
- (ii) any juridical person, organization or association with or without legal personality, constituted in accordance with the legislation of one of the Contracting Parties, having its seat in the territory of this Contracting Party and having made an investment in the other Contracting Party's territory;

(c) The term "returns" means the amounts yielded by an investment, including profits, dividends, interests, royalties and other forms of income.

Article 2

Each Contracting Party shall encourage investors of the other Contracting Party to invest in its territory, and admit such investments in accordance with its laws and regulations.

Article 3

1. Investments and activities associated with investments of investors of either Contracting Party shall be accorded equitable treatment and shall enjoy protection in the territory of the other Contracting Party.

2. The treatment and protection referred to in Paragraph 1 of this Article shall not be less favourable than that accorded to investments and activities associated with investments of investors of any third State.

3. The provisions of this Agreement relative to the grant of treatment of the investors of the other Contracting Party no less favourable than that accorded to the investors of any third state, shall not be construed as to oblige one Contracting Party to extend to the investors of the other Contracting Party benefit of any treatment, preference or privilege resulting from any customs union, free trade zone, economic union, organization of mutual economic assistance, any international agreement, arrangement or domestic legislation regarding taxation, any regulation to facilitate the frontier trade.

Article 4

1. Either Contracting Party may for security reasons or a public purpose, nationalize, expropriate or take similar measures (hereinafter referred to as 'expropriatory measures') against investments investors of the other Contracting Party in its territory. Such expropriatory measures shall be non-discriminatory and shall be taken under due process of national law and against compensation.

2. The compensation mentioned in Paragraph 1 of this Article shall be equivalent to the value of the expropriated investment assets at the time when expropriation is proclaimed, shall be convertible and freely transferable. The compensation shall be paid without unreasonable delay.

3. If an investor considers the expropriation mentioned in Paragraph 1 of this article incompatible with the laws of the Contracting Party taking the expropriatory measures, the competent court of the Contracting Parties taking the expropriatory measures may, upon the request of the investor, review the said expropriation.

4. Investors of one Contracting Party who suffer losses in respect of their investments in the territory of the other Contracting Party owing to war, a state of national emergency, insurrection, riot or other similar events, shall be accorded by the latter Contracting Party, if it takes relevant measures, treatment no less favourable than that accorded to investors of a third State.

Article 5

1. Each Contracting Party, within the framework permitted by its laws and regulation, guarantees to investors of the other Contracting Party transfer of payments in connection with investments made in its territory, in particular of:

- (a) profits, dividends, interests and other forms of income;
- (b) amounts from liquidation of investments;
- (c) repayments made pursuant to a loan agreement in connection with investments;
- (d) license fees in item (iv) of (a) in Article 1.

2. Notwithstanding the provisions of Paragraph 1 of this Article each Contracting Party guarantees to investors of the other Contracting Party free transfer of investments made in convertible currency and returns in convertible currency due to them in connection with their investments held in its territory.

Article 6

The transfer mentioned in Article 4 and 5 of this Agreement shall be made at the official exchange rate of the Contracting Party accepting investment on the date of transfer.

Article 7

If either Contracting Party makes payment to any of its investors under a guarantee it has assumed in respect of an investment in the territory of the other Contracting Party, the latter Contracting Party shall recognize the assignment of any right or claim from such investors to the former Contracting Party. The former Contracting Party shall be entitled to assert such right or claim to the same extent as its predecessor in title, taking into account any right or counterclaim of the latter Contracting Party.

Article 8

This Agreement shall apply to investments, which are made prior to or after its entry into force by investors of either Contracting Party in accordance with the laws and regulations of other Contracting Party in the territory of the latter one.

Article 9

1. Disputes between the Contracting Parties concerning the interpretation or application of this Agreement shall as far as possible, be settled by consultation through diplomatic channel.
2. If a dispute cannot thus be settled within six months, it shall, upon the request of either Contracting Party, be submitted to an ad hoc arbitral tribunal.
3. Such ad hoc tribunal comprises of three arbitrators. Within two months from the date on which either Contracting Party receives the written notice requesting for arbitration from the other Contracting Party, each Contracting Party shall appoint one arbitrator. Those two arbitrators shall, within two months after their appointments, together select a third arbitrator who is a national of a third State which has diplomatic relations with both Contracting Parties. The third arbitrator shall be appointed by the two Contracting Parties as Chairman of the arbitral tribunal.
4. If the ad hoc arbitral tribunal has not been constituted within four months from the date of the receipt of the written notice for arbitration, either Contracting Party may, in the absence of any other agreement, invite the President of the International Court of Justice to make the necessary appointments. If the President is a national of either Contracting Party or is otherwise prevented from discharging the said function, the next most senior member of the International Court of Justice who is not a national of either Contracting Party shall be invited to make the necessary appointment.
5. The ad hoc arbitral tribunal shall determine its own procedure. The tribunal shall reach its award in accordance with the laws of the Contracting Party accepting investment, the provisions of this Agreement and the principles of international law recognized by both Contracting Parties.

The tribunal shall reach its award by a majority of votes. Such award shall be final and binding on both Contracting Parties. The ad hoc arbitral tribunal shall, upon the request of either Contracting Party, explain the basis of its award.

6. Each Contracting Party shall bear the cost of its appointed arbitrator. The relevant costs of the Chairman and the ad hoc tribunal shall be borne in equal parts by the Contracting Parties.

Article 10

1. If an investor challenges the amount of compensation for the expropriated investment assets, he may file complaint with the competent authority of the Contracting Party taking the expropriatory measures. If it is not solved within one year after the complaint is filed, the competent court of the Contracting Party taking the expropriatory measures or an ad hoc

international arbitral tribunal shall, upon the request of the investor, review the amount of compensation.

2. Such international arbitral tribunal shall be constituted case by case as follows: each side shall appoint one member and these two members shall agree upon a national as their Chairman, of a third State which has diplomatic relations with both Contracting Parties. Such members shall be appointed within two months from the date the investor informed the other Contracting Party that it intends to submit the dispute to an arbitral tribunal, and such Chairman shall be appointed within two further months. If the periods specified in the above paragraph have not been observed, either side may in absence of any other relevant arrangement invite the president of the International Court of Justice to make the necessary appointments. The arbitral tribunal shall establish its rules of procedure.

3. The decision shall be final and binding on both sides.

4. Each side shall bear the costs of its own member in the arbitration proceedings, the costs of the Chairman shall be borne in equal parts by both sides.

Article 11

1. This Agreement shall enter into force thirty days after the date on which both Contracting Parties have notified each other that they have fulfilled their respective internal legal procedures, and shall remain in force for a period of ten years.

2. This Agreement shall continue in force if either Contracting Party fails to give written notice to the other Contracting Party to terminate it one year before the expiration specified in Paragraph 1 of this Article.

3. After the expiration of the ten year period, either Contracting Party may at any time terminate this Agreement by giving at least one year's written notice to the other Contracting Party.

4. With respect to investments made prior to the date of termination of this Agreement, the provisions of Article 1 to 10 shall continue to be effective for a further period of ten years from such date of termination.

In witness whereof, the duly authorized representatives of their respective Governments have signed this Agreement.

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Done at Beijing on June 7, 1998, in two original copies, each in the Polish, Chinese and English languages, all texts being equally authentic. In case of differences of interpretation, the text in the English language shall be considered as the text of reference.

For the Government of the People's Republic of China
(Wang Pinqing)

For the Government of the Polish People's Republic
(Floeth)
