AGREEMENT
ON
THE RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENTS
BETWEEN
THE ISLAMIC REPUBLIC OF PAKISTAN
AND
THE BELGO-LUXEMBOURG ECONOMIC UNION

The Government of the Kingdom of Belgium, acting both in its own name and in the name of the Government of the Grand-Duchy of Luxembourg, by virtue of existing agreements, the Government of the Region of Wallonia, the Government of the Region of Flanders, and the Government of the Region of Brussels-Capital, on the one hand, hereafter referred to as "The Contracting Parties", and,

The Islamic Republic of Pakistan, on the other hand.

Desiring to intensify their economic cooperation for the mutual benefit of both Parties.

INTENDING to create favorable conditions for investments made by investors of each Contracting Party in the territory of the other Contracting Party.

AND

RECOGNIZING that the promotion and protection of investments under this Agreement will stimulate initiative in this field.

Have Agreed as follows:

ARTICLE I
DEFINITIONS

For the purposes of the present Agreement:

1. The term "investor" means:
   a) any natural person who is a national of the Islamic Republic of Pakistan, the Kingdom of Belgium or the Grand-Duchy of

Luxembourg according to its law.

b) any legal entity, including companies, associations of companies, trading corporate entities and other organizations which is incorporated or, in any event is properly organized under the law of the Islamic Republic of Pakistan, the Kingdom of Belgium or the Grand-Duchy of Luxembourg.

2. The term "investment" means all kinds of assets, such as goods and rights of all sorts, and in particular, although not exclusively the following:

- Shares and other forms of participation in companies,

- rights arising from all types of contributions made for the purpose of creating economic value including every loan granted for this purpose, whether capitalized or not,

- movable and immovable assets and any other rights such as mortgages, liens, pledges or usufruct,

- any rights in the field of intellectual property including patents, copyrights and trade marks, as well as manufacturing licenses, know-how and goodwill,

- rights to engage in economic and commercial activities authorized by law or by virtue of a contract, particularly those rights to search for, cultivate, extract or exploit natural resources.

The term "investments" shall also refer to the indirect investments made by the investors of one Contracting Party within the territory of the other Contracting Party through an entity incorporated in another State and on which the investors of the first Contracting Party exercise a decisive control.

Any alteration of the form in which assets are invested shall not affect their character as investments, provided that such a change does not contradict the laws and regulations of the relevant Contracting Party.

3. The term "returns" refers to income deriving from an investment in accordance with the definition contained above and includes in particular although not exclusively profits, dividends, interests, capital increases, royalties and payments.

4. The term "territory" shall apply to the territory of the Kingdom of Belgium to the territory of the Grand-Duchy of Luxembourg and to the territory of the Islamic Republic of Pakistan, as well as to the maritime areas, i.e. the marine and underwater areas which extend beyond the territorial waters, of the States concerned and upon which the latter exercise, in accordance with international law, their sovereign rights and their jurisdiction for the purpose of exploring, exploiting and preserving natural resources.

ARTICLE 2
PROMOTION, ACCEPTANCE

1. Each Contracting Party shall encourage the investments made in its territory by investors of the other Contracting Party and shall accept such investments pursuant to its law.

2. In particular, each Contracting Party shall facilitate if required the conclusion and the fulfillment of the licence contracts and commercial, administrative or technical assistance agreements, as far as these activities are in connection with such investments.

3. This Agreement shall also apply to investments made before its entry into force by investors of one Contracting Party in the territory of the other Contracting Party in accordance with the latter's laws and regulations.

ARTICLE 3
PROTECTION

1. Each Contracting Party shall protect in its territory the investments made by investors of the other Contracting Party and shall not hamper by means of unjustified or discriminatory measures, the management, development, maintenance, use, enjoyment, expansion, sale and if it is the case, the liquidation of such investments.

2. Each Contracting Party shall endeavor to grant the necessary permits relating to these investments and shall allow, within the framework of its law, the execution of work permits and contracts related to manufacturing-licences and technical, commercial, financial and administrative assistance.

3. Each Contracting Party shall also grant, whenever necessary, the permits required in connection with the activities of consultants or experts engaged by investors of the other Contracting Party.

ARTICLE 4
TREATMENT

1. Each Contracting Party shall guarantee in its territory fair and equitable treatment for the investments made by investors of the other Contracting Party.

2. This treatment shall not be less favorable than that which is extended by each Contracting Party to the investments made in its territory by investors of any third country or by its own investors, whichever is more favorable to the investors concerned, and shall be consistent with the universally recognized principles of international law.

3. However, this treatment shall not extend to the privileges that one Contracting Party may grant to investors of a third country by virtue of its membership or association with any existing or future free-trade area, customs union, common market or similar international agreement to which any of the Contracting Parties is or may become a Party.

4. The treatment given pursuant to this article shall not extend to tax deductions and exemptions or other similar privileges granted by either of the Contracting Parties to investors of third countries by virtue of a double-taxation avoidance agreement or any other taxation agreement.

ARTICLE 5
NATIONALIZATION AND EXPROPRIATION

1. The nationalization, expropriation or any other measure of similar characteristics or effects that may be applied by the authorities of one Contracting Party against the investments in its own territory of investors of the other Contracting Party must be applied exclusively for reasons of public interest, pursuant to the law and shall in no case be discriminatory. The Contracting Party adopting such measures shall pay to the investor or his legal beneficiary, without delay an adequate indemnity in convertible and freely transferable currency. It shall bear interest at the normal commercial rate from the specified date until the date of its actual payment.

2. Such compensation shall amount to the market value of the investment expropriated immediately before the expropriation or impending expropriation became public knowledge.

ARTICLE 6
COMPENSATION FOR LOSSES

Investors of one Contracting Party whose investments or returns in the territory of the other Contracting Party suffer losses owing to war, other armed conflicts, a state of national emergency, rebellions, riots or other similar circumstances, including losses arising out of requisitioning measures, shall be accorded as regards restitution, indemnification, compensation or other settlements, treatment no less favorable than that which the latter Contracting Party grants to its own investors or the investors of any third state. This treatment shall be consistent with the universally recognized principles of international law. Any payment made under this article shall be prompt, adequate, effective and freely transferable.

ARTICLE 7
TRANSFER

1. With regard to the investments made in its territory each Contracting Party shall grant investors of the other Contracting Party the free transfer of the income deriving therefrom and other payments related thereto, including particularly but not exclusively the following:

- investment returns as defined in Article 1;

- the indemnities provided for under Articles 5 and 6;

- the proceeds of the sale or liquidation in full or partial of an investment, including capital gains or increases in the invested capital;

- funds in repayment of loans;

- payments for establishing, maintaining or developing the investment such as funds for acquiring raw or auxiliary materials, semi-finished or finished products as well as for replacing capital assets;

- the salaries, wages and other compensation received by the citizens of one Contracting Party who have obtained in the territory of the other Contracting Party the corresponding work permits in relation to an investment.

2. The host Contracting Party of the investment shall allow the investor of the other Contracting Party, or the company in which he has invested, to have access to the foreign-exchange market in a non-discriminatory manner so that the investor may purchase the necessary foreign currency to make the transfers pursuant to this article.

3. The transfers shall be made in freely-convertible currencies at the rate applicable on the day transfers are made to spot transactions in currency used, and in accordance with tax regulations in host Contracting Party of the investment.

4. The Contracting Parties undertake to facilitate the procedures needed to make these transfers without delays according to the practices in international financial centers. In particular no more than three months must elapse from the date on which the investor properly submits the necessary applications in order to make the transfer until the date on which the transfer actually takes place. Therefore both Contracting Parties undertake to carry out the required formalities both for the acquisition of foreign currency and for its effective transfer abroad within that period of time.

5. The Contracting Parties agree to accord to transfers referred to in the present Article a treatment no less favorable than that accorded to transfers originated from investments made by investors of any third State.

ARTICLE 8
MORE FAVORABLE TERMS

If the provisions of law of either Contracting Parties or obligations under existing or future international conventions ratified by the Contracting Parties, in addition to this Agreement, contain a regulation entitling investments made by investors of the other Contracting Party to a treatment more favorable than is provided for by this Agreement, such provisions shall, to the extent that they are more favorable, prevail over this Agreement.

ARTICLE 9
SUBROGATION

In case one Contracting Party, or its designated Agency, has granted a financial guarantee relative to risk in respect of an investment made by its investors in the territory of the other Contracting Party, the latter shall accept the subrogation of the former Contracting Party or its designated Agency in respect of the rights of the investors from the time when the former Contracting Party or its designated Agency made a first payment charged to the guarantee issued. This subrogation will make it possible for the former Contracting Party or its designated Agency to be the direct beneficiary of all the payments for compensation of which the initial investors could be a creditor.

ARTICLE 10
SETTLEMENT OF DISPUTES BETWEEN THE CONTRACTING PARTIES

1. Any dispute between the Contracting Parties relative to the interpretation or application of this Agreement shall as far as possible be settled through diplomatic channels.

2. If it were not possible to settle the dispute in this way within six months from the start of negotiations, it shall be submitted at the request of either of the two Contracting Parties to a court of arbitration.

3. The Court of Arbitration shall be set up in the following way: each Contracting Party shall appoint an arbitrator and these two arbitrators shall elect a citizen from a third country as President. The arbitrators shall be appointed within three months and the President within five months from the date on which either of the two Contracting Parties inform the other Contracting Party of its intention to submit the dispute to a court of arbitration.

4. If one of the two Contracting Parties does not appoint its arbitrator before the established deadline, the other Contracting Party may request the President of the International Court of Justice to make such appointment. In the event that the two arbitrators do not reach an agreement on the appointment of the third arbitration before the established deadline, either of the Contracting Parties may in turn call on the President of the International Court of Justice to make the appropriate appointment.

5. If in the case provided for in paragraph 4 of this Article, the President of the International Court of Justice is prevented from discharging the said function or is a national of either Contracting Party, the Vice-President shall be invited to make the necessary appointments. If the Vice-President is prevented from discharging the said function or is a national of either Contracting Party, the most senior member of the Court available who is not a national of either Contracting Party shall be invited to make the necessary appointment.

6. The court of arbitration shall issue its decision on the basis of respect for the law of the rules contained in this Agreement or in other agreement in force between the Contracting Parties and as well as of the universally recognized principles of international law.

7. Unless the Contracting Parties decide otherwise, the court shall lay down its own procedure.

8. The court shall take its decision by majority vote and that decision shall be final and binding on both Contracting Parties.

9. Each Contracting Party shall bear the expenses of the arbitrator appointed by it and those connected with representing it in the arbitration proceedings. The other expenses, including those of the President, shall be borne in equal parts by the two Contracting Parties.

ARTICLE 11
DISPUTES BETWEEN ONE PARTY AND INVESTORS OF THE OTHER CONTRACTING PARTY

1. Disputes that may arise between one of the Contracting Parties and an investor of the other Contracting Party with regard to an investment in the sense of the present Agreement, shall be notified in writing, including detailed information, by the initiating party to the other party concerned. As far as possible, the parties concerned shall endeavor to settle these differences by means of negotiations or by conciliation between the Contracting Parties through diplomatic channels.

2. If these disputes cannot be settled in this way within six months from the date of the written notification mentioned in paragraph 1, the dispute shall be submitted, at the choice of the investor, to:

- the competent court of the Contracting Party in whose territory the investment was made;
- the ad hoc court of arbitration established under the Arbitrator Rules of Procedure of the United Nations Commission for International Trade Law;
- the International Centre for Settlement of Investment Disputes (ICSID) set up by the "Convention on Settlement of Investment Disputes between States and Nationals of other States", opened for signature at Washington on 18th March, 1965;
- the Court of Arbitration of the Paris International Chamber of Commerce.

Each Contracting Party agrees in advance and irrevocably to the settlement of any dispute by arbitration. Such consent implies that both Parties waive the

2. More favorable terms than those of this Agreement which have been agreed to by one of the Contracting Parties with investors of the other Contracting Party shall not be affected by this Agreement.

ARTICLE 13
MOST FAVOURED NATION

In all matters relating to the treatment of investments the investors of each Contracting Party shall enjoy most-favoured-nation treatment in the territory of the other Party.

ARTICLE 14
ENTRY INTO FORCE, EXTENSION AND TERMINATION

1. This Agreement shall enter into force on the date on which Contracting Parties shall have notified each other that the constitutional formalities required for the entry into force of international agreements have been completed. It shall remain in force for an initial period of ten years and by tacit renewal, for consecutive ten-year periods.

Either Contracting Party may terminate this Agreement by prior notification in writing, six months before the date of its expiration.

2. With respect to investments made or acquired prior to the date of termination of this Agreement and to which this Agreement otherwise applies, the provisions of all of the other Articles of this Agreement shall thereafter continue to be effective for a further period of ten years from such date of termination.

IN WITNESS WHEREOF, the respective plenipotentiaries have signed this Agreement.

DONE in originals in English, French and Dutch, all of which equally authentic, in Brussels on 23rd April, 1998.

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The text in the English language shall prevail in case of difference of interpretation.

For the Islamic Republic of Pakistan

For the Belgo-Luxembourg Economic Union

For the Government of the Kingdom of Belgium acting both in its own name and in the name of the Government of the Grand-Duchy of Luxembourg:

For the Government of the
Region of Wallonia:

For the Government of the
Region of Flanders:

For the Government of the
Region of Brussels-Capital