



Bilateral Investment Treaty between Netherlands and Vietnam

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Corporate Establishment, Tax, Accounting & Payroll Throughout Asia

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Dezan Shira & Associates is a specialist foreign direct investment practice, providing corporate establishment, business advisory, tax advisory and compliance, accounting, payroll, due diligence and financial review services to multinationals investing in emerging Asia.

Agreement on Encouragement and Reciprocal Protection of Investments between the Kingdom of the Netherlands and the Socialist Republic of Vietnam

The Government of the Kingdom of the Netherlands
and
the Government of the Socialist Republic of Vietnam

(hereinafter referred to as "the Contracting Parties")

Desiring to strengthen the traditional ties of friendship between their countries, to extend and intensify the economic relations between them particularly with respect to investments by the nationals of one Contracting Party in the territory of the other Contracting Party,

Recognizing that agreement upon the treatment to be accorded to such investments will stimulate the flow of capital and technology and the economic development of the Contracting Parties and that fair and equitable treatment of investment is desirable,
Have agreed as follows:

Article 1

For the purposes of the present Agreement:

- (a) the term 'investments' shall comprise every kind of asset and more particularly, though not exclusively:
- i. movable and immovable property as well as any other rights in rem in respect of every kind of asset;
 - ii. rights derived from shares, bonds and other kinds of interests in companies and joint ventures;
 - iii. title to money, to other assets or to any performance having an economic value;
 - iv. rights in the field of intellectual property, technical processes, goodwill and know-how;
 - v. rights granted under public law, including rights to prospect, explore, extract and win natural resources.
- (b) the term 'nationals' shall comprise with regard to either Contracting Party :

- i. natural persons having the nationality of that Contracting Party;
 - ii. legal persons constituted under the law of that Contracting Party;
 - iii. legal persons not constituted under the law of that Contracting Party but controlled, directly or indirectly, by natural persons as defined in i) or by legal persons as defined in ii) above.
- (c) the term 'territory' includes the maritime areas adjacent to the coast of the State concerned, to the extent to which that State exercises sovereign rights or jurisdiction in those areas according to international law.

Article 2

Either Contracting Party shall, within the framework of its laws and regulations, promote economic cooperation through the protection in its territory of investments of nationals of the other Contracting Party. Subject to its right to exercise powers conferred by its laws or regulations, each Contracting Party shall admit such investments.

Article 3

- 1) Each Contracting Party shall ensure fair and equitable treatment of the investments of nationals of the other Contracting Party and shall not impair, by unreasonable or discriminatory measures, the operation, management, maintenance, use, enjoyment or disposal thereof by those nationals.
- 2) More particularly, each Contracting Party shall accord to such investments full physical security and protection which in any case shall not be less than that accorded either to investments of its own nationals or to investments of nationals of any third State, whichever is more favourable to the national concerned.
- 3) If a Contracting Party has accorded special advantages to nationals of any third State by virtue of agreements establishing customs unions, economic unions, monetary unions or similar institutions, or on the basis of interim agreements leading to such unions or institutions, that Contracting Party shall not be obliged to accord such advantages to nationals of the other Contracting Party.
- 4) Each Contracting Party shall observe any obligation it may have entered into with regard to investments of nationals of the other Contracting Party.

- 5) If the provisions of law of either Contracting Party or obligations under international law existing at present or established hereafter between the Contracting Parties in addition to the present Agreement contain a regulation, whether general or specific, entitling investments by nationals of the other Contracting Party to a treatment more favourable than is provided for by the present Agreement, such regulation shall to the extent that it is more favourable prevail over the present Agreement.

Article 4

With respect to taxes and fiscal deductions and exemptions, each Contracting Party, in accordance with its taxation law and legislation, shall accord to nationals of the other Contracting Party who are engaged in any economic activity in its territory, treatment not less favourable than that accorded to nationals of any third State or to its own nationals that are in the same circumstances. For this purpose, however, there shall not be taken into account any fiscal advantages accorded by that Party:

- (a) under an agreement for the avoidance of double taxation; or
- (b) by virtue of its participation in a customs union, economic union or similar institution; or
- (c) on the basis of reciprocity with a third State.

Article 5

The Contracting Parties shall guarantee that payments relating to an investment may be transferred. The transfers shall be made in a freely convertible currency, without undue restriction or delay. Such transfers include in particular though not exclusively:

- (a) profits, interest, dividends and other current income;
- (b) funds necessary
 - i. for the acquisition of raw or auxiliary materials, semi-fabricated or finished products, or
 - ii. to replace capital assets in order to safeguard the continuity of an investment;

- (c) additional funds necessary for the development of an investment;
- (d) funds in repayment of loans;
- (e) royalties or fees;
- (f) earnings of natural persons;
- (g) the proceeds of sale or liquidation of the investment.

Article 6

Neither Contracting Party shall take any measures depriving, directly or indirectly, nationals of the other Contracting Party of their investments unless the following conditions are complied with:

- (a) the measures are taken in the public interest and under due process of law;
- (b) the measures are not discriminatory or contrary to any undertaking which the Contracting party which takes such measures may have given;
- (c) the measures are taken against just compensation. Such compensation shall represent the genuine value of the investments affected, shall include interest at a normal commercial rate until the date of payment and shall, in order to be effective for the claimants, be paid and made transferable, without undue delay, to the country designated by the claimants concerned and in the currency of the country of which the claimants are nationals or in any freely convertible currency accepted by the claimants.

Article 7

Nationals of the one Contracting Party who suffer losses in respect of their investments in the territory of the other Contracting Party owing to war or other armed conflict, revolution, a state of national emergency, revolt, insurrection or riot shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation or other settlement, no less favourable than that which that Contracting Party accords to its own nationals or to nationals of any third State, whichever is more favourable to the nationals concerned.

Article 8

If the investments of a national of the one Contracting Party are insured against non-commercial risks under a system established by law, any subrogation of the insurer or reinsurer to the rights of the said national pursuant to the terms of such insurance shall be recognized by the other Contracting Party.

Article 9

- 1) Disputes between one Contracting Party and a national of the other Contracting Party concerning an investment of the latter in the territory of the former Contracting Party shall, if possible, be settled amicably.
- 2) If such disputes can not be settled according to the provisions of paragraph 1 of this Article within a period of three months from the date either party to the dispute requested amicable settlement, the dispute shall, at the request of the national concerned, be submitted to an ad hoc arbitration tribunal to be appointed by a special agreement or one established under the Arbitration Rules of the United Nations Commission on International Trade Law
- 3) In case both Contracting Parties shall have become contracting states of the Convention on the Settlement of Investment Disputes between States and Nationals of other States opened for signature at Washington DC 18 March 1965, disputes as defined in paragraph 1 of this Article shall, at the request of the national concerned, be submitted to the International Centre for Settlement of Investment Disputes for arbitration or conciliation under that Convention.
- 4) Each Contracting Party hereby gives its unconditional consent to the submission of disputes to international arbitration in accordance with the provisions of this Article.

Article 10

The provisions of this Agreement shall, from the date of entry into force thereof, also apply to investments, which have been made after 30 April 1975.

Article 11

Either Contracting Party may propose the other Party that consultations be held on any matter concerning the interpretation of application of the Agreement. The other Party shall accord sympathetic consideration to the proposal and shall afford adequate opportunity for such consultations.

Article 12

- 1) Any dispute between the Contracting Parties concerning the interpretation or application of the present Agreement, which cannot be settled within a reasonable lapse of time, by means of diplomatic negotiations, shall, unless the Parties have otherwise agreed, be submitted, at the request of either Party, to an arbitral tribunal, composed of three members. Each Party shall appoint one arbitrator and the two arbitrators thus appointed shall together appoint a third arbitrator as their chairman who is not a national of either Party.
- 2) If one of the Parties fails to appoint its arbitrator and has not proceeded to do so within two months after an invitation from the other Party to make such appointment, the latter Party may invite the President of the International Court of Justice to make the necessary appointment.
- 3) If the two arbitrators are unable to reach agreement, in the two months following their appointment, on the choice of the third arbitrator, either party may invite the President of the International Court of Justice, to make the necessary appointment.
- 4) If, in the cases provided for in the paragraphs 2. and 3. 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 Party the most senior member of the Court available who is not a national of either Party shall be invited to make the necessary appointments.
- 5) The tribunal shall decide on the basis of respect for the law. Before the tribunal decides, it may at any stage of the proceedings propose to the Parties that the dispute be settled amicably. The foregoing provisions shall not prejudice the power of the tribunal to decide the dispute ex aequo et bono if the Parties so agree.

- 6) Unless the Parties decide otherwise, the tribunal shall determine its own procedure.
- 7) The tribunal shall reach its decision by a majority of votes. Such decision shall be final and binding on the Parties.

Article 13

As regards the Kingdom of the Netherlands, the present Agreement shall apply to the part of the Kingdom in Europe, the Netherlands Antilles and to Aruba, unless the notification provided for in Article 14, paragraph 1. provides otherwise.

Article 14

- 1) The present Agreement shall enter into force on the first day of the second month following the date on which the Contracting Parties have notified each other in writing that the procedures constitutionally required therefor in their respective countries have been complied with, and shall remain in force for a period of fifteen years.
- 2) Unless notice of termination has been given by either Contracting Party at least six months before the date of the expiry of its validity, the present Agreement shall be extended tacitly for periods of ten years, each Contracting Party reserving the right to terminate the Agreement upon notice of at least six months before the date of expiry of the current period of validity.
- 3) In respect of investments made before the date of the termination of the present Agreement the foregoing Articles thereof shall continue to be effective for a further period of fifteen years from that date.
- 4) Subject to the period mentioned in paragraph 2. of this Article, the Government of the Kingdom of the Netherlands shall be entitled to terminate the application of the present Agreement separately in respect of any of the parts of the Kingdom.

IN WITNESS WHEREOF, the undersigned representatives, duly authorized thereto, have signed the present Agreement.

DONE in duplicate at [place].on [date], in the Netherlands, Vietnamese and English

languages, the three texts being equally authentic. In case of difference of interpretation the English text will prevail.

For the Government of the
Kingdom of the Netherlands

For the Government of the
Socialist Republic of Vietnam

**Protocol to the Agreement between the Kingdom of the Netherlands
and the Socialist Republic of Vietnam on the Encouragement and
Reciprocal Protection of Investments**

On the signing of the Agreement between the Kingdom of the Netherlands and the Socialist Republic of Vietnam on the encouragement and reciprocal protection of investments, the undersigned representatives have agreed on the following provisions which constitute an integral part of the Agreement:

Ad Article 3(2)

The physical security and protection mentioned in Article 3(2) has the limited meaning of protection by police, fire department, army and similar institutions that should give equal protection to the person and assets of national and foreign investors alike.

For the Government of the
Kingdom of the Netherlands

For the Government of the
Socialist Republic of Vietnam

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