

FOREWORD

Bilateral Investment Promotion and Protection Agreement (BIPA) with various countries was initiated following the liberalization of the foreign investment regime in 1991 as part of the economic reform programme. Government of India have so far signed BIPAs with forty two countries. Agreements have been finalized or are under negotiation with a number of other countries.

The BIPAs signed cover most of the major areas of investments in India and twenty nine of these have entered into force as on March 15, 2001. In order to provide information on the elements of protection offered by India in the BIPAs to the prospective investors from these countries and to the general public, the first and second compendium of six and seven BIPAs were brought out earlier. Subsequently, BIPA with the following 16 countries have entered into force:

1. Malaysia
2. Vietnam
3. Oman
4. Switzerland
5. Egypt
6. Kyrgyz Republic
7. France
8. Belgium
9. Romania
10. Bulgaria
11. Australia
12. Qatar
13. Uzbekistan
14. Austria
15. Philippines
16. Morocco

The BIPAs incorporate national treatment, for foreign investment and MEN treatment for foreign investments and investors, free repatriation/transfer of returns on investment, recourse to domestic dispute resolution and international arbitration for investor ô State and State-State disputes, nationalization! expropriation against compensation only in public interest on a non discriminatory basis.

The third compendium of the BIPAs signed and entered into force are being published with the objective of providing comfort and confidence to the prospective investors of those countries, an agreed basis for resolution of any conflict of interest, as well as prescribing the broad parameters which shall guide their investment on a reciprocal basis.

(YASH WANT SINHA)

**AGREEMENT
BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF INDIA
AND
THE GOVERNMENT OF MALAYSIA
FOR THE PROMOTION AND PROTECTION
OF INVESTMENTS**

The Government of the Republic of India and the Government of Malaysia, hereinafter referred to as the "Contracting Parties";

Desiring to expand and strengthen economic and industrial cooperation on a long term basis, and in particular, to create favourable conditions for investments by investors of one Contracting Party in the territory of the other Contracting Party;

Recognising the need to protect investments by investors of both Contracting Parties and to stimulate the flow of investments and individual business initiative with a view to promoting the economic prosperity of both Contracting Parties;

Have agreed as follows:

**ARTICLE 1
Definitions**

I. For the purpose of this Agreement:

- (a) "investments" means every kind of asset invested in accordance with the laws, regulations and national policies of the Contracting Parties in whose territory the investment is made and in particular, though not exclusively, includes:
- (i) movable and immovable property and any other property rights such as mortgages, liens or pledges;
 - (ii) shares, stocks and debentures of companies or interests in the property of such companies;
 - (iii) rights to money or a claim to any performance having financial value;
 - (iv) intellectual property rights, including rights with respect to copyrights, patents, trademarks, tradenames, industrial designs, trade secrets, technical processes and know-how and goodwill in accordance with the relevant laws of the respective Contracting Party;
 - (v) business concessions conferred by law or under contract, including concessions to search for, cultivate, extract, or exploit natural resources.

- (b) "returns" means the amount yielded by an investment and in particular, though not exclusively, includes profits, interests, capital gains, dividends, royalties or fees;
 - (c) "investor" means any national or company of a Contracting Party;
 - (d) "national" means any natural person possessing the citizenship of or permanently residing in the territory of a Contracting Party, and not having the citizenship of the other Contracting Party, in accordance with its laws;
 - (e) "company" means any corporation, partnership, trust, joint-venture, organisation, association or enterprise incorporated or duly constituted in accordance with applicable laws of that Contracting Party;
 - (f) "territory" means:
 - (i) with respect to India, the territory of the Republic of India including its territorial waters and the airspace above it and other maritime zones including the Exclusive Economic Zone and continental shelf over which the Republic of India has sovereignty, sovereign rights of jurisdiction in accordance with its laws in force, the 1982 United Nations Convention on the Law of the Sea and International Law;
 - (ii) with respect to Malaysia, all land territory comprising the Federation of Malaysia, the territorial sea, its bed and subsoil and airspace above;
 - (g) "freely usable currency" means the United States dollar, pound sterling, Deutschmark, French franc, Japanese yen or any other currency that is widely used to make payments for international transactions and widely traded in the international principal exchange markets.
2. Any alteration of the form in which assets are invested shall not affect their classification as investments, provided that such alteration is not contrary to the approval, if any, granted in respect of the assets originally invested.

ARTICLE 2

Promotion and protection of investments

1. Each Contracting Party shall encourage and create favourable conditions for investors of the other Contracting Party to invest capital in its territory and, in accordance with its laws, regulations and national policies, shall admit such investments.
2. Investments of investors of each Contracting Party shall at all times be accorded equitable treatment and shall enjoy full and adequate protection and security in the territory of the other Contracting Party.

ARTICLE 3
Treatment of Investments

1. Investments made by investors of either Contracting Party in the territory of the other Contracting Party shall receive treatment which is fair and equitable, and not less favourable than that accorded to investments made by investors of any third state.
2. The provisions of this Agreement relative to the granting of treatment not less favourable than that accorded to the investors of any third State shall not be construed so as to oblige one Contracting Party to extend to the investors of the other the benefit of any treatment, preference or privilege resulting from:
 - (a) any existing or future customs union or free trade area or a common market or a monetary union or similar international agreement or other forms of regional cooperation to which either of the Contracting Party is or may become a party; or the adoption of an agreement designed to lead to the formation or extension of such a union or area within a reasonable length of time; or
 - (b) any international agreement or arrangement relating wholly or mainly to taxation or any domestic legislation relating wholly or mainly to taxation.
3. Each Contracting Party shall, subject to its own laws, regulations and national policies, accord to investments of investors of the other Contracting Party treatment no less favourable than that which is accorded to investments of its own investors.

ARTICLE 4
COMPENSATION FOR LOSSES

Investors of one Contracting Party whose investments in the territory of the other Contracting Party suffer losses owing to war or other armed conflict, revolution, a state of national emergency, revolt, insurrection or riot in the territory of the latter Contracting Party shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation or other settlement, no less favourable than that which the latter Contracting Party accords to investors of any third State or to its own investors in accordance with its own laws, regulations and national policies.

ARTICLE 5
EXPROPRIATION

1. Neither Contracting Party shall take any measures of expropriation or nationalization or measures having effect equivalent to nationalization or expropriation (hereinafter referred to as expropriation) against the investments of an investor of the other Contracting Party except under the following conditions:
 - (a) the measures are taken for a lawful or public purpose in accordance with law;
 - (b) the measures are non-discriminatory;

- (c) the measures are accompanied by provisions for the payment of adequate and effective compensation without undue delay. Such compensation shall amount to the market value of the investments affected immediately before the measure of dispossession became public knowledge, and it shall be freely transferable in freely usable currencies. Any unreasonable delay in payment of compensation shall carry an interest at prevailing commercial rate as agreed upon by both parties unless such rate is prescribed by law.
2. The investor affected shall have a right, under the law of the Contracting Party making the expropriation, to review, by a judicial or other independent authority of that Party, of his or its case and of the valuation of his or its investment in accordance with the principles set out in this paragraph. The Contracting Party making the expropriation shall make every endeavour to ensure that such review is carried out promptly.
3. Where a Contracting Party expropriates the assets of a company which is incorporated or constituted under the law in force in any part of its own territory, and in which investors of the other Contracting Party own shares, it shall ensure that the provisions of paragraph (1) of this Article are applied to the extent necessary to ensure fair and equitable compensation in respect of their investment to such investors of the other Contracting Party who are owners of those shares.

ARTICLE 6

Transfers

1. Each Contracting Party shall, subject to its laws, regulations and national policies allow without unreasonable delay the transfer in any freely usable currency:
 - (a) the net profits, dividends, royalties and technical fees, interest and other current income, accruing from any investment of the investors of the other Contracting Party;
 - (b) the proceeds from the total or partial liquidation of any investment made by investors of the other Contracting Party;
 - (c) repayment of any borrowings/loans, including interest thereon, relating to the investment; and
 - (d) the net earnings and other compensations of nationals of one contracting Party who are employed and allowed to work in connection with an investment in the territory of the other Contracting Party.
2. The exchange rates applicable to such transfer in the paragraph 1 of this Article shall be the, rate of exchange prevailing at the time of remittance.
3. The Contracting Parties undertake to accord to the transfers referred to in paragraph 1 of this Article a treatment as favourable as that accorded to transfer originating from investments made by investors of any third State.

ARTICLE 7
Settlement of Investment Disputes Between A Contracting Party And An Investor
Of The Other Contracting Party

1. Any dispute between an investor of one Contracting Party and the other Contracting Party in relation to an investment of the former under this Agreement shall, as far as possible, be settled amicably through negotiations between the parties to the dispute.
2. Any such dispute which has not been amicably settled within a period of six months may, if both Parties agree, be submitted:
 - (a) for resolution, in accordance with the law of the Contracting Party which has admitted the investment to that Contracting Party's competent judicial or administrative bodies; or
 - (b) to international conciliation under the Conciliation Rules of the United Nations Commission on International Trade Law.
3. Should the Parties fail to agree on a dispute settlement procedure provided under paragraph 2 of this Article or where a dispute is referred to conciliation but conciliation proceedings are terminated other than by signing of a settlement agreement, the dispute may be referred to Arbitration. The Arbitration procedure shall be as follows:
 - (a) if the Contracting Party of the Investor and the other Contracting Party are both parties to the Convention on the Settlement of Investment Disputes between States and Nationals of other States, 1965 and the Investor Consents in writing to submit the dispute to the international Centre for the Settlement of investment Disputes such a dispute shall be referred to the Centre; or
 - (b) if both parties to the dispute so agree, under the Additional Facility for the Administration of Conciliation, Arbitration and Fact-Finding Proceedings; or
 - (c) to an ad hoc arbitral tribunal by either party to the dispute in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law, 1976, subject to the following modifications:
 - (i) The appointing authority under Article 7 of the Rules shall be the President, the Vice-President or the next senior Judge of the International Court of Justice, who is not a national of either Contracting Party. The third arbitrator shall not be a national of either Contracting Party.
 - (ii) The parties shall appoint their respective arbitrators within two months.
 - (iii) The arbitral award shall be made in accordance with the provisions of this Agreement.
 - (iv) The arbitral tribunal shall state the basis of its decision and give reasons upon the request of either party.

ARTICLE 8
Settlement of Disputes Between
The Contracting Parties

1. Disputes between the Contracting Parties concerning the interpretation or application of this Agreement should, if possible, be settled through diplomatic channels.
2. If a dispute between the Contracting Parties cannot thus be settled, it shall upon the request of either Contracting Party be submitted to an arbitral tribunal.
3. Such an arbitral tribunal shall be constituted for each individual case in the following way. Within two months of the receipt of the request for arbitration, each Contracting Party shall appoint one member of the tribunal. Those two members shall then select a national of a third State who on approval by the two Contracting Parties shall be appointed Chairman of the tribunal. The Chairman shall be appointed within two (2) months from the date of appointment of the other two members.
4. If within the periods specified in paragraph 3 of this Article the necessary appointments have not been made, 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 if he is otherwise prevented from discharging the said function, the Vice-President shall be invited to make the necessary appointments. If the Vice-President is a national of either Contracting Party or if he too is prevented from discharging the said function, the member of the international Court of Justice next in seniority who is not a national of either Contracting Party shall be invited to make the necessary appointments.
5. The arbitral tribunal shall reach its decision by a majority of votes. Such decision shall be binding on both Contracting Parties. Each Contracting Party shall bear the cost of its own member of the tribunal and of its representation in the arbitral proceedings; the cost, of the Chairman and the remaining costs shall be borne in equal parts by the Contracting Parties. The tribunal may, however, in its decision direct that a higher proportion of costs shall be borne by one of the two Contracting Parties, and this award shall be binding on both Contracting Parties. The tribunal shall determine its own procedure. \

ARTICLE 9
Subrogation

Where one Contracting Party or its designated agency has guaranteed any indemnity against non-commercial risks in respect of an investment by any of its investors in the territory of the other Contracting Party and has made payment to such investors in respect of their claims under this Agreement, the other Contracting Party agrees that the first Contracting Party or its designated agency is entitled by virtue of subrogation to exercise the rights and assert the claims of those investors. The subrogated rights or claims shall not exceed the original rights or claims of such investors.

ARTICLE 10
Applicable Laws

1. This Agreement shall apply to Investments made in the territory of either Contracting Party in accordance with its laws, regulations or national policies by investors of the other Contracting Party prior to as well as after the entry into force of this Agreement.
2. Nothing in this Agreement precludes the host Contracting Party from taking necessary measures in accordance with its laws normally and reasonably applied on a non-discriminatory basis, in circumstances of extreme emergency for the prevention of disease or pests.

ARTICLE 11
Entry and Sojourn of Personnel

A Contracting Party shall, subject to its laws applicable from time to time relating to the entry and sojourn of non-citizens, permit nationals of the other Contracting Party and personnel employed by companies of the other Contracting Party to enter and remain in its territory for the purpose of engaging in activities connected with investments.

ARTICLE 12
Application of Other Rules

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 rules, whether general or specific, entitling investments by investors of the other Contracting Party to a treatment more favourable than is provided for by the present Agreement, such rules shall to the extent that they are more favourable prevail over the present Agreement.

ARTICLE 13
Amendment

This agreement may be amended by mutual consent of both Contracting Parties at any time after it is in force. Any alteration or modification of this agreement shall be done without prejudice to the and obligations arising from this agreement prior to the date of such alteration or modification until such rights and obligations are fully implemented.

ARTICLE 14
Entry into Force, Duration and Termination

1. This Agreement shall enter into force thirty (30) days after the later date on which the Governments of the Contracting Parties have notified each other that their constitutional requirements for the entry into force of this Agreement have been fulfilled. The later date shall refer to the date on which the last notification letter is sent.

2. This Agreement shall remain in force for a period of ten (10) years, and shall continue in force, unless terminated in accordance with paragraph 3 of this Article.
3. Either Contracting Party may by giving one (1) year's written notice to the other Contracting Party, terminate this Agreement at the end of the initial ten (10) year period or anytime thereafter.
4. With respect to investments made or acquired prior to the date of termination of this Agreement the provisions of all of the other Articles of this Agreement shall Continue to be effective for a period of ten (10) years from such date of termination.

IN WITNESS WHEREOF, the undersigned, duly authorised thereto by their respective Governments, have signed this Agreement.

Done in duplicate at Kuala Lumpur this third day of August 1995 in Hindi, Bahasa Malaysia and the English Language, all texts being equally authentic, in case of any divergence of interpretation, the English text shall prevail.

Sd/-
For the Government of the
Republic of India

Sd/-
For the Government of
Malaysia