

Agreement between the Government of the French Republic and the Government of the Union of Soviet Socialist Republics on the reciprocal encouragement and protection of investments

The Government of the French Republic and the Government of the Union of Soviet Socialist Republics hereinafter referred to as "the Contracting Parties",

Desiring in their mutual interest to strengthen economic and commercial cooperation and scientific and technical cooperation between the two States and to create favorable conditions for French investments in the Union of Soviet Socialist Republics and for Soviet investments in France,

Convinced that the reciprocal encouragement and protection of such investments are likely to stimulate the transfer of capital and the exchange of advanced technologies between the two States in the interest of their economic development,

Have agreed on the following provisions:

Article 1.

For the application of this Agreement:

1. The term "investment" means assets such as property and rights of any kind and in particular but not exclusively:

- a) Movable and immovable property and any real rights;
- b) Shares and other forms of participation in companies incorporated in the territory of any of the Contracting Parties, as well as any rights deriving therefrom;
- c) Bonds, debts and rights to any benefits of economic value;
- d) copyrights, industrial property rights (such as patents, trademarks, industrial designs and models);
- d) Copyrights, industrial property rights (such as patents, trademarks, industrial models and designs), technical processes, licenses, registered names, know-how and other similar rights;
- e) Rights to economic and commercial activities granted by law or by virtue of a contract, relating in particular to the exploration, cultivation, extraction or exploitation of natural resources,

It is understood that such assets must be or have been invested in accordance with the laws of the Contracting Party in whose territory or maritime zone the investment is made.

The term "investment" also refers to indirect investments made by investors of one Contracting Party in the territory or maritime area of the other Contracting Party through an investor of a third State.

Any change in the form of investment of the assets shall not affect their qualification as investments within the meaning of this Agreement, provided that such change is not contrary to the legislation of the Contracting Party in whose territory or maritime area the investment is made.

2. The term "investor" means:

- a) Any natural person who possesses the nationality of one of the Contracting Parties and who may, in accordance with the legislation of that Contracting Party, make investments in the territory or maritime area of the other Contracting Party;
- b) Any legal person incorporated in the territory of one of the Contracting Parties in accordance with the legislation of that Contracting Party and having its registered office there and which may, in accordance with the legislation of that Contracting Party, make investments in the territory or maritime area of the other Contracting Party.

3. The term "income" means all sums produced by an investment, in particular but not exclusively, profits, dividends, interest, royalties, commissions, remuneration for technical assistance and after-sales services.

4. This Agreement shall apply to the territory of each Contracting Party and to the maritime area of each Contracting Party, hereinafter defined as the economic zone and the continental shelf which extend beyond the limits of the territorial waters of each Contracting Party and over which they have, in accordance with international law, sovereign rights and jurisdiction for the purpose of exploring, exploiting and conserving natural resources.

Article 2.

Each Contracting Party shall, within the framework of its legislation and in accordance with the provisions of this Agreement, admit and encourage investments made by investors of the other Contracting Party in its territory and in its maritime zone.

Article 3.

1. Each Contracting Party undertakes to ensure, in its territory and in its maritime zone, fair and equitable treatment, in accordance with the principles of international law, of investments made by investors of the other Contracting Party, excluding any unfair or discriminatory measure which might impede the management, maintenance, enjoyment or liquidation of such investments.

2. Each Contracting Party shall apply, in its territory and in its maritime zone, to investors of the other Contracting Party, in respect of their investments and activities related to such investments, treatment no less favourable than that accorded to investors of any third State.

3. Such treatment shall not, however, extend to privileges which a Contracting Party accords to investors of a third State by virtue of its participation in:

- a free trade area
- a customs union
- a common market
- a mutual economic assistance organization or under an agreement concluded on the date of this Agreement providing for provisions similar to those accorded by the Contracting Party to participants in such organization, or under a double taxation agreement or any other agreement relating to taxation.

4. In addition to the provisions of paragraph 2 of this Article, each Contracting Party shall, in accordance with its domestic law, accord to investments of investors of the other Contracting Party treatment no less favorable than that accorded to its own investors.

Article 4.

1. Investments made by investors of either Contracting Party shall enjoy full protection and security in the territory and maritime zone of the other Contracting Party.

2. Income from investments and, in the case of reinvestment, income from reinvestment shall enjoy the same protection as investments.

3. The Contracting Parties shall not take, in their territories and in their maritime zones, measures of expropriation or nationalization or any other measures the effect of which is to dispossess investors of the other Contracting Party of investments belonging to them, except in the public interest and provided that such measures are neither discriminatory nor contrary to any commitment to an investor as referred to in Article 8.

Any dispossession measures that may be taken must give rise to the payment of prompt and adequate compensation, the amount of which must correspond to the real value of the investments concerned on the day before the measures are taken or become known to the public.

This compensation, which is freely transferable, is paid without delay to the investors in a convertible currency. After the expiration of a period of thirty days from the day on which the measures are taken or made known to the public and until the date of payment, it shall bear interest at the appropriate rate.

4. Investors of one of the Contracting Parties whose investments have suffered losses due to war, any other armed conflict

or any other situation of similar effect occurring in the territory or maritime zone of the other Contracting Party shall be treated by the latter in accordance with the provisions of Article 3 of this Agreement.

Article 5.

Each Contracting Party, in whose territory or maritime area investments have been made by investors of the other Contracting Party, shall grant to such investors the possibility of freely transferring payments related to such investments, including but not limited to

- (a) Income from such investments as defined in paragraph 3 of Article 1;
- b) royalties from the rights designated in paragraph 1. letters d and e of Article 1;
- (c) Amounts for the repayment of loans relating to the investments;
- d) Proceeds from the sale or liquidation of all or part of the investment, including capital gains;
- (e) an appropriate portion of the remuneration of nationals of the other Contracting Party who have been authorized to work in its territory or maritime area in connection with an authorized investment
- (f) The compensation referred to in Article 4 of this Agreement.

The transfers referred to in the preceding paragraphs shall be made without delay at the appropriate rate of exchange officially applicable on the date of the transfer.

Article 6.

To the extent that the regulations of one of the Contracting Parties provide for a guarantee against non-commercial risks for investments made abroad, such guarantee may be granted, on a case-by-case basis, to investments made by investors of that Contracting Party in the territory or maritime zone of the other Contracting Party.

Investments made by investors of one of the Contracting Parties in the territory or maritime zone of the other Contracting Party may only obtain the guarantee referred to in the above paragraph if they have first obtained the approval of the latter Party.

If one of the Contracting Parties, by virtue of a guarantee given for an investment made in the territory or maritime zone of the other Contracting Party, makes payments to one of its investors it shall thereby be subrogated to the rights and actions of that investor, in particular those defined in Article 7 of this Agreement.

Article 7.

Any dispute between one Contracting Party and an investor of the other Contracting Party concerning the effects of a measure taken by the first Contracting Party relating to the management, maintenance, enjoyment or liquidation of an investment made by that investor, in particular, but not exclusively, concerning the effects of a measure relating to the carriage and sale of goods, to dispossession or to the transfers referred to in Article 5 of this Agreement, shall be, as far as possible, settled amicably between the two Parties concerned.

If such a dispute cannot be settled amicably within six months from the time it was raised by either party to the dispute, it may be submitted in writing to arbitration.

Such dispute shall then be finally settled in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law as adopted by the General Assembly of the United Nations in its resolution 31/98 of 15 December 1976.

Article 8.

Each Contracting Party shall respect any commitment it has made to an investor of the other Contracting Party with respect to an investment made by that investor in the territory or maritime area of the first Contracting Party.

Article 9.

1. Disputes between Contracting Parties concerning the interpretation or application of this Agreement shall be settled, if

possible, through diplomatic channels.

2. If the dispute is not settled within six months from the date on which it was raised by either Contracting Party, it shall be submitted, at the request of either Contracting Party, to an arbitration tribunal.

3. The said tribunal shall be constituted for each particular case in the following manner:

Each Contracting Party shall appoint one member of the tribunal, and both members shall appoint, by mutual agreement, a national of a third State to be the chairman of such tribunal. All members shall be appointed within two months of the date on which one Contracting Party has notified the other Contracting Party of its intention to submit the dispute to arbitration.

4. If the time limits laid down in paragraph 3 above have not been observed, either Contracting Party shall, in the absence of any other agreement, invite the Secretary-General of the United Nations to make the necessary appointments. If the Secretary-General is a national of either Contracting Party or is otherwise prevented from making the necessary appointments, the most senior Under-Secretary-General who is not a national of either Contracting Party shall make the necessary appointments.

5. The Tribunal shall determine its own rules of procedure. It shall take its decisions by a majority vote. Such decisions shall be final and binding on both Contracting Parties.

The tribunal shall interpret the award at the request of either Contracting Party. Unless the tribunal decides otherwise, taking into account the particular circumstances of the dispute concerned, the costs of the arbitration proceedings, including the fees of the arbitrators, shall be shared equally by the Contracting Parties.

Article 10.

This Agreement shall apply to all investments made on or after January 1, 1950.

Article 11.

Each Contracting Party shall inform the other Contracting Party in writing of the completion of the internal procedures required for the entry into force of this Agreement. This Agreement shall enter into force thirty days after the date of receipt of the last notification.

This Agreement shall be concluded for an initial period of fifteen years. If neither Contracting Party denounces it in writing at least one year before the expiration of its initial period of validity, it shall remain in force until one Contracting Party notifies the other Contracting Party in writing of its intention to denounce it. The Agreement shall lapse one year after the date of receipt of such notification by the other Contracting Party.

Upon the expiration of the period of validity of this Agreement, investments made while it was in force shall continue to enjoy the protection of its provisions for a further period of fifteen years.

Done at Paris, this 4th day of July 1989, in two originals, each in the French and Russian language

For the Government of the French Republic:

Pierre Beregovoy

For the Government of the Union of Soviet Socialist Republics:

Lev Voronin.