

AGREEMENT BETWEEN THE GOVERNMENT OF THE ITALIAN REPUBLIC AND THE GOVERNMENT OF THE REPUBLIC OF ESTONIA ON THE PROMOTION AND PROTECTION OF INVESTMENTS

The Government of the Republic of Estonia and the Government of the Italian Republic (hereafter referred to as the Contracting Parties),

Desiring to establish favourable conditions for improved economic cooperation between the two Countries, and especially in relation to investment by investors of one Contracting Party in the territory of the other Contracting Party;

And acknowledging that promotion and mutual protection to such investment, based on international Agreements, will contribute to stimulating business ventures which foster the prosperity of both Contracting Parties,

Hereby agree as follows:

Article 1. Definitions

For the purposes of this Agreement:

1. The term "investment" shall be construed to mean any kind of asset invested, before or after the entry into force of this Agreement, by a natural or legal person of a Contracting Party in the territory of the other Contracting Party, in conformity with the laws and regulations of that Contracting Party, irrespective of the legal form chosen. Without limiting the generality of the foregoing, the term "investment" comprises in particular, but not exclusively:

(a) Movable and immovable property and any ownership right in rem, including real guarantee rights on others' property as mortgages, liens and pledges, to the extent that it can be invested;

(b) Shares, debentures, equity holdings or any other instruments of credit, as well as public securities in general;

(c) Credits for sums of money or any service right having an economic value connected with an investment, as well as reinvested incomes and capital gains;

(d) Copyright, commercial trade marks, patents, industrial designs and other intellectual and industrial property rights, know-how, trade secrets, trade names and goodwill;

(e) Any economic right accruing by law or by contract and any licence and franchise granted in accordance with the provisions in force on economic activities, including the right to search for, extract and exploit natural resources;

(f) Any increase in value of the original investment. Any modification in the form of the investment does not imply a change in the nature thereof.

2. The term "investor" shall be construed to mean any natural or legal person of a Contracting Party investing in the territory of the other Contracting Party as well as the foreign subsidiaries and affiliates and branches controlled by the above natural and legal persons.

3. The term "natural person", in reference to either Contracting Party, shall be construed to mean any natural person holding the nationality of that State in accordance with its laws.

4. The term "legal person", in reference to either Contracting Party, shall be construed to mean any entity having its head office in the territory of one of the Contracting Parties and established in accordance with the respective national legislation, such as public institutions, corporations, partnerships, foundations and associations, regardless of whether their liability is limited or not.

5. The term "income" shall be construed to mean the money accruing to an investment, including in particular profits or

interests, interest income, capital gains, dividends, royalties or payments for assistance, technical services as well as any payments in kind.

6. The term "territory" shall be construed to mean, in addition to the zones contained within the land boundaries, the maritime zones. The latter also comprise the marine and submarine zones over which the Contracting Party exercises sovereignty, and sovereign or jurisdictional rights, under international law.

7. "Investment agreement" means an agreement between a Contracting Party or its Agency and an investor of the other Contracting Party concerning an investment.

Article 2. Promotion and Protection of Investments

1. Both Contracting Parties shall encourage investors of the other Contracting Party to invest in their territory.

2. Investors of one Contracting Party shall have the right of access to the investment activities, in the territory of the other Contracting Party, on a basis not less favourable than the one granted as per Article 3.1.

3. Both Contracting Parties shall at all times ensure just and fair treatment of the investment of investors of the other Contracting Party. Both Contracting Parties shall ensure that the management, maintenance, use, transformation, enjoyment or assignment of the investments effected in their territory by investors of the other Contracting Party, shall in no way be subject to unjustified or discriminatory measures.

4. Each Contracting Party shall create and maintain in its territory a legal framework apt to guarantee to investors the continuity of legal treatment, including the compliance, in good faith, of all undertakings assumed with regard to each specific investor.

Article 3. National Treatment and the Most Favoured Nation Clause

1. Both Contracting Parties, within the bounds of their own territory, shall offer investments effected by, and the income accruing to, investors of the other Contracting Party no less favourable treatment than that accorded to investments effected by, and income accruing to, its own nationals or investors of Third States.

2. Should a more favourable treatment than the one foreseen in this Agreement be introduced by internal laws or international obligations, this treatment will apply to investors of the relevant Contracting Party also for the outstanding relations.

3. The provisions under paragraph 1 and 2 of this Article do not refer to the advantages and privileges which one Contracting Party may grant to investors of Third States by virtue of its membership in a Customs or Economic Union, a Common Market, a Free Trade Area, a regional or subregional Agreement, an international multilateral economic Agreement or under Agreements signed in order to prevent double taxation or to facilitate cross-border trade.

Article 4. Compensation for Damages or Losses

1. Should investors of one of the Contracting Parties incur losses or damages on their investments in the territory of the other Contracting Party due to war, other forms of armed conflict, a state of emergency, civil strife or other similar events, the Contracting Party in which the investment has been effected shall offer adequate compensation in respect of such losses or damages, irrespective whether such losses or damages have been caused by governmental forces or other subjects. Compensation payments shall be freely transferable without undue delay.

The investors concerned shall receive the same treatment as the nationals of the other Contracting Party and, at all events, no less favourable than investors of Third States.

Article 5. Nationalization or Expropriation

1. The investments to which this Agreement relates shall not be subject to any measure which might limit the right of ownership, possession, control or enjoyment of the investments, permanently or temporarily, unless specifically provided by current, national or local, legislation and/or regulations and orders handed down by courts or Tribunals having jurisdiction.

2. Investments of investors of one of the Contracting Parties shall not be, de jure or de facto, directly or indirectly nationalized, expropriated, requisitioned or subjected to any measures having an equivalent effect in the territory of the

other Contracting Party, except for public purposes or national interests and in exchange for immediate, full and effective compensation, and on condition that these measures are taken on a non-discriminatory basis and in conformity with all legal provisions and procedures.

3. The just compensation shall be established on the basis of real market value immediately prior to the moment in which the decision to nationalize or expropriate is announced or made public.

In the absence of an understanding between the host Contracting Party and the investor during the nationalisation, or expropriation procedure, compensation shall be based on the same reference parameters, and exchange rates, taken into account in the documents for the constitution of the investment. The exchange rate applicable to any such compensation shall be that prevailing on the date immediately prior to the moment in which the nationalisation or expropriation has been announced or made public.

4. Without restricting the scope of the above paragraph, in case that the object of nationalisation, expropriation, or similar measure, is a company with foreign capital, the evaluation of the share of the investor will be, in the currency of the investment, not lower than the starting value, increased by capital increases and revaluation of capital, undistributed profits and reserve funds, and diminished by the value of capital reductions and losses.

5. Compensation will be considered adequate if it is paid in the same currency in which the investment has been made insofar as such currency is, or remains convertible, or, otherwise, in any other currency accepted by the investor.

6. Compensation will be considered timely if it takes place without undue delay and, in any case, within one month.

7. Compensation shall include interests calculated on a six months LIBOR basis from the date of nationalisation or expropriation to the date of payment.

8. A national or company of either Contracting Party that asserts that all or part of its investment has been expropriated shall have a right to prompt review by the appropriate judicial or administrative authorities of the other Contracting Party to determine whether any such expropriation has occurred and, if so, whether such expropriation, and any compensation thereof, conforms to the principles of international law, and to decide all other matters relating thereto.

9. The provisions of paragraph 2. of this Article shall also apply to profits accruing to an investment and, in the event of winding-up, the proceeds of liquidation.

10. If, after the expropriation, the investment concerned has not been utilized for that purpose, the investor concerned or his assignees are entitled to the repurchasing of the expropriated assets at the market price.

Article 6. Repatriation of Capital, Profits and Income

1. Each of the Contracting Parties shall guarantee that the investors of the other may transfer the following abroad, without undue delay, in any convertible currency:

- (a) Capital and additional capital, including reinvested income, used to maintain and increase investments;
- (b) The net income, dividends, royalties, payments for assistance and technical services, interests and other profits;
- (c) Income deriving from the total or partial sale or the total or partial liquidation of an investment;
- (d) Funds to repay loans connected to an investment and the payment of the related interests;
- (e) Remuneration and allowances paid to nationals of the other Contracting Party for work and services performed in relation to an investment effected in its territory in the amount and manner prescribed by the national legislation and regulations in force.

2. Without restricting the scope of Article 3 of this Agreement, the Contracting Parties undertake to apply to the transfers mentioned in paragraph 1 of this Article the same favourable treatment that is accorded to investments effected by investors of Third States, in case it is more favourable.

Article 7. Subrogation

In the event that one Contracting Party or its Agency thereof has provided a guarantee in respect of non-commercial risks for the investment effected by one of its investors in the territory of the other Contracting Party, and has effected payment to said investor on the basis of that guarantee, the other Contracting Party shall recognise the assignment of the rights of the investor to the former Contracting Party or its Agency. In relation to the transfer of payments to the Contracting Party or

its Agency by virtue of this assignment, the provisions of Articles 4, 5 and 6 of this Agreement shall apply.

Article 8. Transfer Procedures

1. The transfers referred to in Articles 4, 5, 6 and 7 shall be effected without undue delay and, at all events, within six months after all fiscal obligations have been met, and shall be made in a convertible currency. All the transfers shall be made at the prevailing exchange rate applicable on the date of on which the investor instructs the bank to make the related transfer, with the exception of the provisions under the paragraph 3 of Article 5 concerning the exchange rate applicable in case of nationalisation or expropriation.

2. The fiscal obligations under the previous paragraph are deemed to be complied with when the investor has fulfilled the procedures provided for by the law of the Contracting Party in the territory of which the investment has been carried out.

Article 9. Settlement of Disputes between Investors and Contracting Parties

1. Any dispute which may arise between one of the Contracting Party and the investors of the other Contracting Party on investments, including disputes relating to the amount of compensation, shall be settled amicably, as far as possible.

2. In case an investor and an Agency of one of the Contracting Parties have stipulated an investment agreement, the procedure foreseen in such investment agreement shall apply.

3. In the event that such dispute cannot be settled amicably within six months from the date of the written application for settlement, the investor in question may submit at his choice the dispute for settlement to:

- a) The Contracting Party's Court having territorial jurisdiction;
- b) An ad hoc Arbitration Tribunal, in compliance with the arbitration regulation of the UN Commission on the International Trade Law (UNCITRAL); and the host Contracting Party undertakes hereby to accept the reference to said arbitration.
- c) The International Centre for Settlement of Investment Disputes, for the implementation of the arbitration procedures under the Washington Convention of 18 March, 1965, on the settlement of Investment Disputes between States and Nationals of other States.

Both Contracting Parties shall refrain from negotiating through diplomatic channels any matter relating to an arbitration procedure or judicial procedures underway until these procedures have been concluded, and one of the Contracting Parties has failed to comply with the ruling of the Arbitration Tribunal or the Court of law within the period envisaged by the ruling, or else within the period which can be determined on the basis of the international or domestic law provisions which can be applied to the case.

Article 10. Settlement of Disputes between the Contracting Parties

1. Any dispute which may arise between the Contracting Parties relating to the interpretation and application of this Agreement shall, as far as possible, be settled amicably through diplomatic channels.

2. In the event that the dispute cannot be settled within six months from the date on which one of the Contracting Parties notifies, in writing, the other Contracting Party, the dispute shall, at the request of one of the Contracting Parties, be laid before an ad hoc Arbitration Tribunal as provided in this Article.

3. The Arbitration Tribunal shall be constituted in the following manner: within two months from the date on which the request for arbitration is received, each of the two Contracting Parties shall appoint a member of the Tribunal. The two members shall then choose a national of a Third State to act as President. The President shall be appointed within three months from the date on which the other two members are appointed.

4. If, within the period specified in paragraph 3 of this Article, the appointments have not been made, each of the two Contracting Parties can, in default of other arrangement, ask the President of the International Court of Justice to make the appointments. In the event that the President of the Court is a national of either of the Contracting Parties or it is, for any reason, impossible for him to make the appointment, the application shall be made to the Vice President of the Court. If the Vice-President of the Court is a national of one of the Contracting Parties, or is unable to make the appointment for any reason, the most senior member of the International Court of Justice, who is not a national of either of the Contracting Parties, shall be invited to make the appointment.

5. The Arbitration Tribunal shall rule with a majority vote, and its decisions shall be binding. Both Contracting Parties shall

bear their own costs of arbitration and of their representative at the hearings. The President's costs and any other costs shall be divided equally between the Contracting Parties. The Arbitration Tribunal shall lay down its own procedures.

Article 11. Relations between Governments

The provisions of this Agreement shall be applied irrespective of whether or not the Contracting Parties have diplomatic or consular relations.

Article 12. Application of other Provisions

1. If a matter is governed both by this Agreement and by another international agreement to which both Contracting Parties are signatories, or by general international law provisions, the most favourable provisions shall be applied to the Contracting Parties and to their investors.

2. Whenever the treatment accorded by one Contracting Party to the investors of the other Contracting Party, according to its laws and regulations or other provisions or specific contracts or investment authorisations or agreement, is more favourable than that provided under this Agreement, the most favourable treatment shall apply.

3. Whenever, after the date when the investment has been made, any modification of protection conditions extended to investment should take place in the legislation of the Contracting Party on whose territory the investment has been carried out, the protection granted under previous legislation will not be affected.

Article 13. Entry Into Force

This Agreement shall become effective as from the date in which the two Contracting Parties notify each other that their respective constitutional procedures have been completed.

Article 14. Duration and Expiry

1. This Agreement shall remain effective for a period of 10 years from the date of entry into force and shall remain in force for a further period of 5 years thereafter, unless one of two Contracting Parties withdraws in writing by not later than one year before its expiry date.

2. In case of investments effected prior to the expiry date, as provided under paragraph 1 of this Article, the provisions of Articles 1 to 12 shall remain effective for a further period of five years after the aforementioned date.

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

DONE IN Rome, this 20th day of March one thousand nine hundred and ninety seven, in two originals, both in the Estonian, Italian and English languages, all texts being equally authentic. In case of any divergence, the English text shall prevail.

FOR THE GOVERNMENT OF THE ITALIAN REPUBLIC

FOR THE GOVERNMENT OF THE REPUBLIC OF ESTONIA

On signing the Agreement between the Government of the Republic of Estonia and the Government of the Italian Republic on the Promotion and Protection of Investments, the Contracting Parties also agreed to the following clauses, which shall be deemed to form an integral part of the Agreement.

1. General Provisions

This Agreement and all provisions thereof referred to as "investments", provided they are made in accordance with the laws and regulations of the Contracting Party in whose territory the investment is made, apply as well to the following associated activities: the organization, control, operation, maintenance and disposition of companies, branches, agencies, offices, factories or other facilities for the conduct of business; the making, performance and enforcement of contracts; the acquisition, use, protection and disposition of property of all kinds including intellectual property; the borrowing of funds;

the purchase, issuance and sale of equity shares and other securities; and the purchase of exchange for imports.

"Associated activities" also include, inter alia:

- a) Franchises or rights under licenses;
- b) The receipt of registrations, licenses, permits and other approvals necessary for the conduct of commercial activity which shall in any event be issued expeditiously, as provided for in the legislation of the Contracting Parties;
- c) Access to financial institutions, and to credit and currency markets;
- d) Access to funds held in financial institutions;
- e) The importation and installation of equipment necessary for the normal conduct of business affairs, including, but not limited to, office equipment and automobiles, and the export of any equipment and automobiles so imported;
- f) The dissemination of commercial information;
- g) The conduct of market studies;
- h) The appointment of commercial representatives, including agents, consultants and distributors (i.e. mediators in the distribution of products which they themselves did not produce), and their service in this capacity, and their participation in trade fairs and other promotional events;
- i) The marketing of goods and services, including through internal distribution and marketing systems, as well as by advertising and direct contact with nationals and companies;
- l) Payment for goods and services in local currency;
- m) Leasing services rendered in or to the territory of the Contracting Parties.

2. With reference to Article 2

- a) An Agency of a Contracting Party may stipulate an investment agreement with investors of the other Contracting Party who carry out an investment of national interest in the territory of that Contracting Party. This agreement will govern the specific legal relationship related to the said investment.
- b) Neither of the Contracting Parties will set any conditions for creation, expansion or continuation of investments, which may imply the taking over or the imposing of any limitation to the sale of the production on domestic or international markets, or which specifies that goods must be procured locally, or similar conditions.
- c) Each Contracting Party will provide effective means of asserting claims and enforcing rights with respect to investments and investment agreements.
- d) The nationals of either Contracting Party authorised to work in the territory of the other Contracting Party in connection with an investment as per this Agreement, shall have the right to adequate working conditions for the carrying out of their professional activities, in accordance with the legislation of the host Contracting Party.
- e) According to its laws and regulations, each Contracting Party shall treat as favourably as possible the matters connected with the entry, stay, work and movement in its territory of nationals of the other Contracting Party, and members of their families, performing activities related to investments under this Agreement.
- f) Companies which are legally constituted under the applicable laws or regulations of one Contracting Party and which are owned or controlled by investors of the other Contracting Party, shall, in accordance with the legislation of the host Contracting Party, be permitted to engage top managerial personnel of their choice, regardless of nationality.

3. With reference to Article 3

All the activities relating to the procurement, sale and transport of raw and processed materials, energy, fuels and production means, as well as any other kind of operation related to them and somehow linked to entrepreneurial activities under this Agreement shall be accorded, in the territory of each Contracting Party, treatment not less favourable than that accorded to similar activities and initiatives taken by residing nationals or investors of a Third State.

4. With reference to Article 5

Any measure undertaken towards an investment effected by an investor of one of the Contracting Parties, which substracts

financial resources or other assets from the investment or causes substantial prejudice to the value of the same investment as well as any other measure having equivalent effect, will be considered as one of the measures referred to in paragraph 1 of Article 5.

5. With reference to Article 9

Under Article 9 (3) (b), arbitration shall be conducted in accordance with the arbitration standards of the United Nations Commission on International Trade Law (UNCITRAL), as laid down in the UN General Assembly Resolution 31/98 of December 15, 1976 as well as pursuant to the following provisions:

a) The Arbitration Tribunal shall be composed of three arbitrators; if they are not nationals of either of the Contracting Parties, they shall be nationals of States having diplomatic relations with both Contracting Parties.

The appointment of arbitrators, when necessary pursuant to the UNCITRAL Rules, will be made by the President of the Arbitration Institute of the Stockholm Chamber, in his capacity of Appointing Authority. The arbitration will take place in Stockholm, unless the two parties in the arbitration have agreed otherwise.

b) When delivering its decision, the Arbitration Tribunal shall in any case apply also the provisions contained in this Agreement, as well as the principles of international law recognized by the two Contracting Parties.

The recognition and implementation of the arbitration decision in the territory of the Contracting Parties shall be governed by their respective national legislations, in compliance with the relevant international Conventions they are parties to.

In WITNESS WHEREOF, the undersigned, being duly authorised thereto by their respective Governments, have signed the present Protocol.

DONE IN Rome, this 20th day of March one thousand nine hundred and ninety seven in two originals, both in the Italian, Estonian and English languages, all texts being equally authentic. In case of any divergence, the English text shall prevail.

FOR THE GOVERNMENT OF THE ITALIAN REPUBLIC

FOR THE GOVERNMENT OF THE REPUBLIC OF ESTONIA