

# **AGREEMENT BETWEEN THE GOVERNMENT OF UKRAINE AND THE GOVERNMENT OF THE REPUBLIC OF TURKEY CONCERNING THE RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENTS**

The Government of Ukraine and the Government of the Republic of Turkey, hereinafter referred to as "Contracting Parties":

Desiring to promote greater economic cooperation between them, particularly with respect to investment by investors of the State of one Contracting Party in the territory of the State of the other Contracting Party;

Recognizing that agreement upon the treatment to be accorded to investments will stimulate the flow of capital and technology and the economic development of the Contracting Parties;

Agreeing that fair and equitable treatment of investments is desirable in order to maintain a stable framework for investment and will contribute to maximizing effective utilization of economic resources and improve living standards; and

Convinced that these objectives can be achieved without relaxing health, safety and environmental measures of general application as well as internationally recognized labor rights;

Having resolved to conclude an agreement concerning reciprocal promotion and protection of investments;

Have agreed as follows:

## **Article 1. Definitions For the Purpose of this Agreement:**

1. The term "investment" means every kind of asset, connected with business activities, acquired for the purpose of establishing lasting economic relations in the territory of the State of a Contracting Party in conformity with its laws and regulations, and that has the characteristics of an investment (1), including such characteristics as the commitment of capital or other resources, the expectation of regular gain or profit, the assumption of risk, contribution to economic development or a certain duration shall include in particular, but not exclusively:

(a) movable and immovable property, as well as any other rights as mortgages, liens, pledges and any other similar rights as defined in conformity with the laws and regulations of the Contracting Party in whose territory the property is situated;

(b) reinvested returns, claims to money or any other rights having financial value related to an investment;

(c) shares, stocks, or any other form of participation in companies;

(d) industrial and intellectual property rights, in particular patents, industrial designs, technical processes, as well as trademarks, goodwill, and know-how;

(e) business concessions conferred by law or by contract, including concessions related to natural resources.

2. The term "investor" means:

(a) natural persons having the nationality of the State of a Contracting Party according to its national legislation;

(b) companies, corporations, firms, business partnerships incorporated or constituted under the national law in force of the State of a Contracting Party and having their registered offices together with substantial business activities in the territory of that Contracting Party;

who have made an investment in the territory of the State of other Contracting Party.

3. The term "returns" means the amounts yielded by an investment and includes in particular, though not exclusively, profit, interest, capital gains, royalties, fees and dividends.

4. The "territory" means:

(a) in respect of the Republic of Turkey: the land territory, internal waters, the territorial sea and the airspace above them, as well as the maritime areas over which Turkey has sovereign rights or jurisdiction for the purpose of exploration, exploitation and preservation of natural resources whether living or non-living, pursuant to international law.

(b) in respect of Ukraine: the land territory, internal waters, territorial waters and airspace above them, the exclusive economic zone and continental shelf beyond the territorial waters in respect of which it exercises jurisdiction, sovereign rights in accordance with the applicable national and international law.

This Agreement shall not apply over territories which are integral parts of the territory of Ukraine, but remain under foreign occupation until Ukraine regains full and effective control over them.

(1) Where an asset lacks the characteristics of an investment, that asset is not an investment regardless of the form it may take.

## **Article 2. Scope of Application**

1. This Agreement shall apply to investments in the territory of the State of one Contracting Party, made in accordance with its national laws and regulations, by investors of the State of the other Contracting Party, whether prior to, or after the entry into force of the present Agreement. However, this Agreement shall not apply to any investment dispute which has arisen before the entry into force of this Agreement.

2. It is confirmed that nothing in this Agreement shall apply to investments made by investors of a Contracting Party in violation of the applicable legislation of either or both of the Contracting Parties.

3. This Agreement substitutes and replaces the Agreement between Ukraine and the Republic of Turkey concerning the Reciprocal Promotion and Protection of Investments, signed on 27/11/1996 in Ankara, which will be terminated on the date of entry into force of this Agreement. The disputes submitted to arbitration after the date of the entry in force of this Agreement shall be settled in accordance with the provisions of this Agreement.

## **Article 3. Promotion and Protection of Investments**

1. Subject to its laws and regulations, each Contracting Party shall in its territory promote as far as possible investments by investors of the State of the other Contracting Party.

2. Investments of investors of the State of each Contracting Party shall at all times be accorded treatment in accordance with international law minimum standard of treatment, including fair and equitable treatment and full protection and security in the territory of the other Contracting Party. Neither Contracting Party shall in any way impair the management, maintenance, use, operation, enjoyment, extension, sale, liquidation or disposal of such investments by unreasonable or discriminatory measures.

## **Article 4. Treatment of Investments**

1. Each Contracting Party shall admit in the territory of its State investments on a basis no less favorable than that accorded in like circumstances to investments of investors of any third State, within the framework of its laws and regulations.

2. Each Contracting Party shall accord to these investments, once established, treatment no less favorable than that accorded in like circumstances to investments of its investors or to investments of investors of any third State, whichever is the most favorable, as regards the management, maintenance, use, operation, enjoyment, extension, sale, liquidation or disposal of investment.

3. The Contracting Parties shall within framework of their national legislation give favorable consideration to applications for the entry and sojourn of nationals of either State of Contracting Party who wish to enter the territory of the State of the other Contracting Party in connection with investment activity.

4. (a) The provisions of this Article shall not be construed so as to oblige one Contracting Party to extend to the investors of the State of the other Contracting Party the benefit of any treatment, preference or privilege, which may be extended by the former Contracting Party by virtue of any international agreement relating wholly or mainly to taxation.

(b) The non-discrimination, national treatment and most-favored nation treatment provisions of this Agreement shall not apply to all actual or future advantage accorded by either Contracting Party by virtue of its membership of, or association

with a customs, economic or monetary union, a common market or a free trade area; to nationals or companies of the States of the Contracting Parties, of Member States of such union, common market or free trade area, or any other third State.

(c) Most Favored Nation treatment referred to in paragraphs 1 and 2 does not include treatment accorded to investors of a non-Contracting Party and their investments by provisions concerning the settlement of investment disputes provided for in this Agreement or in other international agreements concluded between a Contracting Party and a non-Contracting Party.

(d) The provisions of Article 3 and 4 of this Agreement shall not oblige the States of the Contracting Parties to accord investments of investors of the other Contracting Party the same treatment according to its national legislation that it accords to investments of its own investors with regard to acquisition of land, real estates and real rights thereof.

## **Article 5. General Exceptions**

1. Nothing in this Agreement shall be constructed to prevent a Contracting Party from adopting, maintaining or enforcing any non-discriminatory legal measures:

- (a) designed and applied for the protection of human, animal or plant life or health, or the environment;
- (b) related to the conservation of living or non-living exhaustible natural resources.

2. Nothing in this Agreement shall be construed:

(a) to require any Contracting Party to furnish or allow access to any information the disclosure of which it determines to be contrary to its essential security interests;

(b) to prevent any Contracting Party from taking any actions that it considers necessary for the protection of its essential security interests:

(i) relating to the traffic in arms, ammunition and implements of war and to such traffic and transactions in other goods, materials, services and technology undertaken directly or indirectly for the purpose of supplying a military or other security establishment,

(ii) taken in time of war or other emergency in international relations, or

(iii) relating to the implementations of national policies or international agreements respecting the non-proliferation of nuclear weapons or other nuclear explosive devices; or

(c) to prevent any Contracting Party from taking action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

## **Article 6. Expropriation and Compensation**

1. Investments shall not be expropriated, nationalized or subject directly or indirectly, to measures of similar effects (hereinafter referred as expropriation) except for a public purpose, in a non-discriminatory manner, upon payment of prompt, adequate and effective compensation, and in accordance with due process of law and the general principles of treatment provided for in Article 3 of this Agreement.

2. Non-discriminatory legal measures designed and applied to protect legitimate public welfare objectives, such as health, safety and environment do not constitute indirect expropriation.

3. Compensation shall be equivalent to the market value of the expropriated investment before the expropriation was taken or became public knowledge. Compensation shall be paid without delay and be freely transferable as described in paragraph 2 of Article 8 of this Agreement.

4. Compensation shall be payable in freely convertible currency and in the event that payment of compensation is delayed, it shall include an appropriate interest rate from the date of expropriation until the date of payment.

## **Article 7. Compensation for Losses**

1. Investors of the State of either Contracting Party whose investments suffer losses in the territory of the State of other Contracting Party owing to war, insurrection, civil disturbance or other similar events shall be accorded by such other Contracting Party treatment no less favorable than that accorded to its own investors or to investors of any third State,

whichever is the most favorable treatment as regards any measures it adopts in relation to such losses.

2. Without prejudice to paragraph 1, investors of the State of one Contracting Party who in any of the situation referred to in that paragraph suffer losses in the territory of the other Contracting Party resulting from:

(a) requisitioning of their property by its forces or authorities, or

(b) destruction of their property by its forces or authorities, which was not caused in combat action or was not required by the necessity of the situation; shall be accorded restitution or compensation which in either case shall be prompt, adequate and effective. Resulting payments shall be freely convertible.

## **Article 8. Repatriation and Transfer**

1. Each Contracting Party shall guarantee in good faith all transfers related to an investment to be made freely and without delay into and out of its territory. Such transfers include:

(a) the initial capital and additional amounts to maintain or increase investment;

(b) returns;

(c) proceeds from the sale or liquidation of all or any part of an investment;

(d) compensation pursuant to Article 6 and 7 of this Agreement;

(e) reimbursements and interest payments deriving from loans in connection with investments;

(f) salaries, wages and other remunerations received by the nationals of one Contracting Party who have obtained in the territory of the other Contracting Party the corresponding work permits related to an investment;

(g) payments arising from an investment dispute.

2. Transfers shall be made in the convertible currency in which the investment has been made or in any convertible currency at the rate of exchange in force at the date of transfer, unless otherwise agreed by the investor and the hosting Contracting Party.

3. Where, in exceptional circumstances, payments and capital movements cause or threaten to cause serious balance of payments difficulties, each Contracting Party may temporarily restrict transfers, provided that such restrictions are imposed on a non-discriminatory and in good faith basis.

## **Article 9. Subrogation**

1. If one of the Contracting Parties has a public insurance or guarantee scheme to protect investments of its own investors against non-commercial risks by virtue of national legislation, and if an investor of the State of this Contracting Party has subscribed to it, any subrogation of the insurer under the insurance contract between this investor and the insurer, shall be recognized by the other Contracting Party.

2. The insurer is entitled by virtue of subrogation to exercise the rights and enforce the claims of that investor and shall assume the obligations related to the investment. The subrogated rights or claims shall not exceed the original rights or claims of the investor.

3. Disputes between a Contracting Party and an insurer shall be settled in accordance with the provisions of Article 10 of this Agreement.

## **Article 10. Settlement of Disputes between One Contracting Party and Investor of the State of the other Contracting Party**

1. This Article shall apply to disputes between one Contracting Party and an investor of the State of the other Contracting Party concerning an alleged breach of an obligation of the former under this Agreement, which causes loss or damage to the investor or its investments.

2. Disputes between one of the Contracting Parties and an investor of the State of the other Contracting Party, in connection with its investment, shall be notified in writing, including detailed information, by the investor to the recipient Contracting Party of the investment. As far as possible, the investor and the concerned Contracting Party shall endeavor to settle these

disputes by consultations and negotiations in good faith.

3. If this disputes, cannot be settled in this way within six (6) months following the date of the writing notification mentioned in paragraph 2, the disputes can be submitted, as the investor may choose, to:

(a) the competent court of the Contracting Party in whose territory the investment has been made, or

(b) the International Center of Settlement of Disputes (ICSID) set up by the Convention on Settlement of Investment Disputes Between States and Nationals of other States, or

(c) an ad hoc arbitral tribunals established under the Arbitration Rules of Procedures of the United Nations Commission for International Trade Law (UNCITRAL);

(d) Any other arbitration institution or any other arbitration rules, including though not exclusively, Istanbul Arbitration Center (ISTAC) or any relevant Ukrainian Institution if the disputing parties so agree.

4. Once the investor has submitted the dispute to one or the other of the dispute settlement forums mentioned in paragraph 3 the choice of one of these forums shall be final.

5. In deciding whether an investment dispute is within the jurisdiction of ICSID and competence of the tribunal, the arbitral tribunal established under paragraph 3 (b) shall comply with the notification submitted by the Republic of Turkey on March 3, 1989 to ICSID in accordance with Article 25 (4) of ICSID Convention, concerning classes of disputes considered suitable or unsuitable for submission to the jurisdiction of ICSID, as an integral part of this Agreement. .

6. The arbitral tribunals shall take its decisions in accordance with the provisions of this Agreement, the laws and regulations of the Contracting Party involved in the dispute on which territory the investment is made (including its rules on the conflict of laws) and the relevant principles of international law as accepted by both Contracting Parties.

7. The arbitration awards shall be final and binding for all parties in dispute. Each Contracting Party shall execute the award according to its national law.

## **Article 11. Denial of Benefits**

1. A Contracting Party may deny the benefits of this Agreement to an investor of the State of the other Contracting Party that is a company of the State of such other Contracting Party and to investment of such investor if the company has no substantial business activities in the territory of the State of the Contracting Party under whose law it is constituted or organized and investors of a non- Contracting Party or investor of the State of the denying Contracting Party own or control the company.

2. The denying Contracting Party shall to the extent practicable, notify the other Contracting Party before denying the benefits.

## **Article 12. Settlement of Disputes between the Contracting Parties**

1. The Contracting Parties shall seek in good faith and a spirit of cooperation a rapid and equitable solution to any dispute between them concerning the interpretation or application of this Agreement. In this regard, the Contracting Parties agree to engage in direct and meaningful negotiations to achieve such solutions. If the Contracting Parties cannot reach an agreement within six (6) months after the beginning of disputes between themselves through the foregoing procedures, the disputes may be submitted, upon the request of either Contracting Party, to an arbitral tribunal of three members.

2. Within two (2) months of receipt of request, each Contracting Party shall appoint an arbitrator. The two arbitrators shall select a third arbitrator as Chairman, who is a national of a third State. In the event either Contracting Party fails to appoint an arbitrator within the specified time, the other Contracting Party may request the President of the International Court of Justice to make the appointment.

3. If both arbitrators cannot reach an agreement about the choice of the Chairman within two (2) months after their appointment, the Chairman shall be appointed upon the request of either Contracting Party by the President of the International Court of Justice.

4. If, in the cases specified under paragraphs 2 and 3 of this Article, the President of the International Court of Justice is prevented from carrying out the said function or if he is a national of either Contracting Party, the appointment shall be made by Vice-President, and if the Vice-President is prevented from carrying out the said function or if he is a national of either Contracting Party, the appointment shall be made by the most senior member of the Court who is not a national of

either Contracting Party.

5. The tribunal shall have three (3) months from the date of the selection of the Chairman to agree upon rules of procedure consistent with the other provisions of this Agreement. In the absence of such agreement, the tribunal shall request the President of the International Court of Justice to designate rules of procedure, taking into account generally recognized rules of international arbitral procedure.

6. Unless otherwise agreed, all submissions shall be made and all hearings shall be completed within eight (8) months of the date of selection of the Chairman, and the tribunal shall render its decision within two (2) months after the date of the final submissions or the date of the closing of the hearings, whichever is late. The arbitral tribunal shall reach its decisions, which shall be final and binding, by a majority of votes. Arbitral Tribunal shall reach its decision on the basis of this Agreement and in accordance with international law applicable between the Contracting Parties.

7. Expenses incurred by the Chairman, the arbitrators and other costs of the proceedings shall be paid for equally by the Contracting Parties. The tribunal may, however, at its discretion, decide that a higher proportion of the costs be paid by one of the Contracting Parties.

8. A dispute shall not be submitted to an international arbitral tribunal under the provisions of this Article, if a dispute on the same matter has been brought before another international arbitral tribunal under the provisions of Article 10 and is still before the tribunal. This will not impair the engagement in direct and meaningful negotiations between both Contracting Parties.

### **Article 13. Service of Documents**

Notices and other documents in disputes under Articles 10 and 12 shall be served on Turkey by delivery to:

Basbakanlik Hukuk Hizmetleri Baskanligi

(Prime Ministry Department of Law Services)

Basbakanlik Merkez Bina

Vekaletler Caddesi B-Blok 06573

Bakanliklar/Ankara

Tirkiye

Notices and other documents in disputes under Articles 10 and 12 shall be served on Ukraine by delivery to:

(a) the Ministry of Justice of Ukraine in respect of Articles 10, 11;

(b) the Ministry of Foreign Affairs of Ukraine in respect of Article 12.

### **Article 14. Entry In Force**

1. This Agreement shall enter into force on the date of the receipt of the last notification by the Contracting Parties, in writing and through diplomatic channels, of the completion of the respective internal legal procedures necessary to that effect.

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 4 of this Article.

3. This Agreement may be amended by mutual written consent of the Contracting Parties at any time. The amendments shall enter into force in accordance with the same legal procedure prescribed under the first paragraph of the present Article.

4. Either Contracting Party may, by giving one year's prior written notice to the other Contracting Party, terminate this Agreement at the end of the initial ten- year period or at any time thereafter.

5. 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 (10) years from such date of termination.

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

DONE in duplicate at Kyiv on October 9, 2017 in Ukrainian, Turkish and English languages, all texts being equally authentic.

In case of any divergence of interpretation of this Agreement, the English text shall prevail.

FOR THE GOVERNMENT OF UKRAINE

STEPAN KUBIV

First Deputy Prime Minister

Minister for Economic Development and Trade

FOR THE GOVERNMENT OF THE REPUBLIC OF TURKEY

NIHAT ZEYBEKCI

Minister of Economy