

# AGREEMENT BETWEEN THE REPUBLIC OF ESTONIA AND GEORGIA ON THE PROMOTION AND RECIPROCAL PROTECTION OF INVESTMENTS

The Republic of Estonia and Georgia (hereinafter the "Contracting Parties");

Desiring to promote greater economic co-operation between them, with respect to investment made by investors of one Contracting Party in the territory of the other Contracting Party;

Recognising that agreement on the promotion and reciprocal protection to be accorded to such investment will stimulate the flow of private capital and the economic development of the Contracting Parties;

Agreeing that a stable framework for investment will maximise effective utilisation of economic resources and improve living standards;

Having resolved to conclude an Agreement on the promotion and reciprocal protection of investments;

Have agreed as follows:

## Article 1. Definitions

For the purposes of this Agreement:

1. The term "investor" means in respect of either Contracting Party:

- a. a natural person, who is a national of a Contracting Party and who makes an investment in the territory of the other Contracting Party;
- b. a legal entity including companies, associations of companies, and other organisation which is incorporated or, in any event, is properly organised under the law of that Contracting Party and is actually managed from the territory of that Contracting Party.

2. The term "investment" means every kind of asset invested by investors of one Contracting Party in the territory of the other Contracting Party in accordance with its internal law and shall include in particular, though not exclusively:

- a. movable and immovable property as well as any other rights, such as mortgages, pledges, usufructs and similar rights;
- b. stock, shares, debentures and other forms of participation in companies;
- c. returns reinvested, claims to money or any other rights to legitimate performance having financial value related to an investment;
- d. intellectual property rights, as defined in the multilateral agreements concluded under the auspices of the World Intellectual Property Organization, in as far as both Contracting Parties are parties to them, including, but not limited to, copyrights and related rights, industrial property rights, trademarks, patents, industrial designs and technical processes, rights in plants varieties, know-how, trade secrets, trade names and goodwill;
- e. rights to engage in economic and commercial activities conferred by law or by virtue of a contract, including concessions to search for, extract or exploit natural resources.

3. Any change of the form in which assets are invested or reinvested shall not affect their character as an investment, provided that such change is not contrary to the approvals granted, if any, to the assets originally invested.

4. The term "returns" means income deriving from an investment and includes, in particular though not exclusively, profits, dividends, interests, royalties and any other fees.

5. The term "territory" means:

a. In respect of Georgia: the territory of Georgia within the state borders, including land space, its subsoil and the airspace above, internal waters and territorial sea, its floor, subsoil and airspace above, where Georgia exercises its sovereignty, as well the continental shelf and exclusive economic zone in respect of which Georgia exercises its sovereign rights in accordance with the international law.

b. In respect of the Republic of Estonia: the land territory and territorial sea of the Republic of Estonia as well as those maritime areas adjacent to the external boundary of the territorial sea, including the seabed and subsoil of either of the above territories, over which the Republic of Estonia exercises sovereign rights and jurisdiction in accordance with international law.

## **Article 2. Promotion and Admission of Investments**

1. Each Contracting Party shall encourage and create favourable conditions for investors of the other Contracting Party to make investments in its territory and shall admit such investments in accordance with its internal law.

2. In order to encourage mutual investment flows, each Contracting Party shall endeavour to inform the other Contracting Party, at the request of either Contracting Party of the investment opportunities in its territory.

3. In accordance with its internal law, each Contracting Party shall promptly publish, or otherwise make publicly available, its laws, regulations, procedures and administrative rulings and judicial decisions of general application as well as international agreements which may affect the investments of investors of the other Contracting Party in the territory of the former Contracting Party.

4. Each Contracting Party shall grant, whenever necessary, in accordance with its internal law, without delay, the permits required in connection with the activities of consultants or experts engaged by investors of the other Contracting Party.

5. Each Contracting Party shall, subject to its internal law relating to the entry, stay and employment of natural persons, examine in good faith and give due consideration, regardless of nationality to requests of key personnel including top managerial and technical persons who are employed for the purposes of investments in its territory, to enter, temporary stay and employment in its territory.

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

1. Each Contracting Party shall extend in its territory full protection and security to investments and returns of investors of the other Contracting Party. Neither Contracting Party shall hamper, by arbitrary or discriminatory measures, the development, management, maintenance, use, expansion, sale and if it is the case, the liquidation of such investments.

2. Investments or returns of investors of either Contracting Party in the territory of the other Contracting Party shall be accorded fair and equitable treatment in accordance with international law.

## **Article 4. National Treatment and Most Favoured Nation Treatment**

1. Neither Contracting Party shall accord in its territory to investments and returns of investors of the other Contracting Party a treatment less favourable than that which it accords to investments and returns of its own investors, or to investments and returns of investors of any other third State, whichever is more favourable to the investors concerned.

2. Neither Contracting Party shall accord in its territory to the investors of the other Contracting Party, as regards, acquisition, expansion, operation, management, maintenance, use, sale or disposal of their investment, a treatment which is less favourable than that which it accords to its own investors or to investors of any third State, whichever is more favourable to the investors concerned.

3. Neither Contracting Party shall in its territory impose mandatory measures on investments by investors of the other Contracting Party, concerning the purchase of materials, means of production, operation, transport, marketing of its products or similar orders having unreasonable or discriminatory effects.

4. The provisions of paragraph 1 and 2 of this Article shall not be construed so as to oblige one Contracting Party to extend to the investors 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:

a. any existing or future customs union or economic or monetary union, free trade area or similar international agreements to which either of the Contracting Party is or may become a Party in the future;

b. any international agreement or arrangement, wholly or partially related to taxation.

## **Article 5. Expropriation**

A Contracting Party shall not expropriate or nationalise directly or indirectly in its territory an investment of an investor of the other Contracting Party or take any measures having equivalent effect (hereinafter referred to as "expropriation") except if the following conditions occur simultaneously:

- a. for a purpose which is in the public interest,
- b. on a non-discriminatory basis,
- c. in accordance with due process of law, and
- d. accompanied by payment of prompt, adequate and effective compensation.

2. Compensation shall amount to the fair market value of the investment expropriated immediately before the expropriation or impending expropriation became known, whichever is the earlier. Compensation shall be paid without delay, be effectively realisable and freely transferable.

3. An investor of a Contracting Party affected by the expropriation carried out by the other Contracting Party shall have the right to prompt review of its case, including the valuation of its investment and the payment of compensation in accordance with the provisions of this Article, by a judicial authority or another competent and independent authority of the latter Contracting Party.

## **Article 6. Compensation for Damage or Loss**

1. When investments made by investors of either Contracting Party suffer loss or damage owing to war or other armed conflict, civil disturbances, state of national emergency, revolution, riot or similar events in the territory of the other Contracting Party they shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation or other settlement, not less favourable than the treatment that the latter Contracting Party accords to its own investors or to investors of any third State, whichever is more favourable to the investors concerned.

2. Without prejudice to paragraph 1 of this Article, investors of one Contracting Party who in any of the events referred to in that paragraph suffer damage or loss in the territory of the other Contracting Party resulting from:

- a. requisitioning of their property or part thereof by its forces or authorities;
- b. destruction of their property or part thereof by its forces or authorities which was not caused in combat or was not required by the necessity of the situation,

shall be accorded a prompt, adequate and effective compensation or restitution for the damage or loss sustained during the period of requisitioning or as a result of destruction of their property. Resulting payments shall be made in a freely convertible currency and be freely transferable without delay.

## **Article 7. Transfers**

1. In accordance with its internal law and international law, each Contracting Party shall ensure that all payments relating to an investment in its territory of an investor of the other Contracting Party may be freely transferred into and out of its territory without delay. Such transfers shall include, in particular, though not exclusively:

- a. the initial capital and additional amounts to maintain or increase an investment;
- b. returns;
- c. payments made under a contract including a loan agreement;
- d. proceeds from the sale or liquidation of all or any part of an investment;
- e. payments of compensation under Articles 5 and 6 of this Agreement;
- f. payments arising out of the settlement of an investment dispute;
- g. earnings and other remuneration of personnel engaged from abroad in connection with an investment.

2. Each Contracting Party shall ensure that the transfers under paragraph 1 of this Article are made in a freely convertible currency, at the market rate of exchange prevailing on the date of transfer and shall be made without delay.

## **Article 8. Subrogation**

1. If the investment of an investor of one Contracting Party made in the territory of the other Contracting Party is insured against non-commercial risks under a system established by its internal law, any subrogation of the insurer which stems from the terms of the insurance agreement shall be recognised by the other Contracting Party.

2. The insurer shall not be entitled to exercise any rights other than the rights which the investor would have been entitled to exercise. Subrogated claims shall not exceed the original claims.

## **Article 9. Settlement of Disputes between a Contracting Party and an Investor of the Other Contracting Party**

1. An investor that has a dispute with a Contracting Party should initially attempt to settle it through consultation or negotiation.

2. If the dispute cannot be settled amicably, the investor shall deliver to the Contracting Party a written notice of its intention to submit the dispute for resolution in accordance with the terms of paragraph 3 of this Article. The notice shall specify:

- a. the name and address of the disputing investor;
- b. the provisions of this Agreement alleged to have been breached;
- c. the factual and legal basis for the claim; and
- d. the remedy sought and the amount of damages claimed.

3. If a dispute under paragraph 1 of this Article cannot be settled within six (6) months of the receipt of the written notice of intention, the dispute shall upon the request of the investor be settled as follows:

- a. by a competent court of the Contracting Party in whose territory the investment is made, or
- b. by conciliation or arbitration by the International Centre for Settlement of Investment Disputes (ICSID), established by the Convention on the Settlement of Investment Disputes between States and Nationals of other States, opened for signature in Washington on 18 March 1965. In case of arbitration, each Contracting Party, by this Agreement irrevocably consents in advance, even in the absence of an individual arbitral agreement between the Contracting Party and the investor, to submit any such dispute to this Centre. This consent implies the renunciation of the requirement that the internal administrative or judicial remedies should be exhausted; or
- c. by arbitration by three arbitrators in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), as amended by the last amendment accepted by both Contracting Parties. In case of arbitration, each Contracting Party, by this Agreement irrevocably consents in advance, even in the absence of an individual arbitral agreement between the Contracting Party and the investor, to submit any such dispute to the tribunal mentioned.

4. The award shall be final and binding; it shall be executed according to the internal law; each Contracting Party shall ensure the recognition and enforcement of the arbitral award in accordance with its relevant internal law.

5. An investor who has submitted the dispute to a national court in accordance with paragraph 3(a) of this Article or to one of the arbitral tribunals mentioned in paragraph 3(b) to (c) shall not have the right to pursue his case in any other court or tribunal. The investor's choice to the court or arbitral tribunal is final and binding.

## **Article 10. Settlement of Disputes between the Contracting Parties**

1. Disputes between the Contracting Parties concerning the interpretation or application of this Agreement shall be settled as far as possible by negotiations.

2. If a dispute under paragraph 1 of this Article cannot be settled within six (6) months it shall upon the request of either Contracting Party be submitted to an arbitral tribunal of three members.

3. Such arbitral tribunal shall be constituted ad hoc as follows: each Contracting Party shall appoint one member and these two members shall agree upon a national of a third State as their chairman. Such members shall be appointed within two (2)

months from the date one Contracting Party has informed the other Contracting Party of its intention to submit the dispute to an arbitral tribunal, the chairman of which shall be appointed within two (2) further months.

4. If the periods specified in paragraph 3 of this Article are not observed, either Contracting Party may, in the absence of any other relevant arrangement, invite the President of the International Court of Justice to make the necessary appointments. If the President of the International Court of Justice is a national of either of the Contracting Parties or if he is otherwise prevented from discharging the said function, the Vice-president or in case of his inability the member of the International Court of Justice next in seniority according to the Rules of the Court should be invited under the same conditions to make the necessary appointments.

5. The arbitral tribunal shall establish its own rules of procedure unless the Contracting Parties decide otherwise.

6. The arbitral tribunal shall reach its decision in virtue of this Agreement and pursuant to the rules of international law. It shall reach its decision by a majority of votes; the decision shall be final and binding.

7. Each Contracting Party shall bear the costs of its own member and of its legal representation in the arbitration proceedings. The costs of the chairman and the remaining costs shall be borne in equal parts by both Contracting Parties. The tribunal may, however, in its award determine another distribution of costs.

## **Article 11. Application of the Agreement**

This Agreement shall apply to investments made prior to or after the entry into force of this Agreement, but shall not apply to any investment dispute that may have arisen before its entry into force.

## **Article 12. Changes**

This Agreement may be changed and amended by mutual written agreement of the Contracting Parties, which forms a separate protocol and shall constitute an integral part of this Agreement. The changes and amendments shall enter into force according to the same procedure as this Agreement.

## **Article 13. Entry Into Force, Duration and Termination**

1. This Agreement shall enter into force on the date of receipt of the latter notification through diplomatic channels by which either Contracting Party notifies the other Contracting Party that its internal legal requirements for the entry into force of this Agreement have been fulfilled.

2. This Agreement shall remain in force for a period of ten (10) years and shall be extended thereafter for following ten years periods unless, one year before the expiration of the initial or any subsequent period, either Contracting Party notifies the other Contracting Party of its intention to terminate the Agreement. In that case, the termination shall become effective by the expiration of current period of ten (10) years.

3. In respect of investments made prior to the date when the termination of this Agreement becomes effective, the provisions of this Agreement shall continue to be effective for a period of ten (10) years from the date of denunciation of this Agreement.

In witness whereof, the undersigned duly authorised have signed this Agreement.

Done at Tbilisi on 24 November 2009 in duplicate, in the Estonian, Georgian and English languages, all three texts being equally authentic. In a case of divergence of interpretation, the English text shall prevail.

FOR THE REPUBLIC OF ESTONIA

Juhan Parts

FOR GEORGIA

Zurab Pololikashvili