

AGREEMENT dated April 5, 1994

BETWEEN THE GOVERNMENT OF THE RUSSIAN FEDERATION AND THE GOVERNMENT OF THE CZECH REPUBLIC ON THE PROMOTION AND MUTUAL PROTECTION OF INVESTMENTS

The Russian Federation and the Government of the Czech Republic, hereinafter referred to as the Contracting Parties,

Wishing to develop mutually beneficial economic cooperation, with a view to creating favorable conditions for investment by investors of one Contracting Party in the territory of the other Contracting Party,

Considering that the promotion and reciprocal protection of investments will stimulate business initiative in this area, we have agreed as follows:

Article 1. Definitions

For the purposes of this Agreement:

1. The term "investor" means:

- a) any natural person who is a national of one of the Contracting Parties in accordance with its legislation;
- b) any legal entity established and acting in accordance with the legislation of one Contracting Party and having their location in the territory of that State,

Provided that the natural or legal person is entitled in accordance with the laws of his state to make investments in the territory of another state.

2. The term "investment" means every kind of asset that investors of one Contracting Party investing in the territory of the other Contracting Party, in accordance with its legislation, for business and other activities for profit, and in particular, but not exclusively:

- a) movable and immovable property, and related property rights;
- b) shares, stocks and other forms of participation in companies and enterprises;
- c) the contractual rights to cash or liabilities having an economic value;
- d) intellectual property rights, including copyrights, rights to inventions, industrial designs, trademarks, trade names, as well as technology, know-how, trade secrets and goodwill;
- e) any right to engage in entrepreneurial and other activities provided by law or contract, including, in particular, the right to exploration, development and exploitation of natural resources.

No change in the form in which the invested property values will not affect their character as investments.

3. The term "returns" means the amount resulting from investment, and in particular, though not exclusively, includes profits, dividends, interest, income from capital gains, royalties and other fees.

4. The term "territory" means the territory of the Russian Federation or the territory of the Czech Republic, and in the case of the Russian Federation as the exclusive economic zone and continental shelf over which the Russian Federation shall, in accordance with international law, sovereign rights and jurisdiction for the purpose of exploration, exploitation and conservation of natural resources.

Article 2. Promotion and Protection of Investments

1. Each Contracting Party shall encourage and create favorable conditions for investors of the other Contracting Party to make investments in its territory and in accordance with its laws and regulations admit such investments.
2. Each Contracting Party shall guarantee in accordance with the laws of their state full and unconditional legal protection to investments of investors of the other Contracting Party.
3. Each Contracting Party shall ensure in its territory investments of investors of the other Contracting Party fair and equitable treatment and shall refrain from taking unreasonable or discriminatory measures that would impede the management, use, enjoyment and disposal of investments.

Article 3. Investment Regime

1. Each Contracting Party shall provide in its territory investments, income and activities in connection with the investments of investors of the other Contracting Party treatment no less favorable than that accorded to its own investors or investors of any third state.
2. Each of the Contracting Parties reserves the right to determine on the basis of its legislation and the industry's areas of activity, which exclude or restrict the activities of foreign investors. Any new exception or limitation, to be ascertained by the State Contracting Party shall not be applicable to investments made in its territory by investors of the other Contracting Party prior to the entry into force of withdrawal.
3. The most-favored-nation treatment granted in accordance with paragraph 1 of this Article shall not apply to the advantages which the Contracting Party is providing or will provide in the future:
 - a) in connection with its participation in a free trade area, customs or economic union or agreement on regional economic cooperation;
 - b) by virtue of the agreements of the Russian Federation with the states of the former Union of Soviet Socialist Republics;
 - c) on the basis of agreements to avoid double taxation or other agreements on taxation.

Article 4. Damages

Contracting Party in the territory of which damage the investments of investors of the other Contracting Party owing to war, armed conflict, civil unrest, state of emergency or by other similar circumstances, would allow such investors in respect of the property recovery, compensation and other settlement regime is not less favorable than that it accords to its own investors or investors of any third state. Payable in connection with the payments must be made without undue delay.

Article 5. Expropriation

1. Investments of investors of either Contracting Party shall not be subjected in the territory of the other Contracting Party of expropriation, nationalization or other measures having similar effects (hereinafter referred to as "expropriation"), except in cases where such measures are taken in the public interest, in accordance with legislation okay, are not discriminatory and are accompanied by the payment of adequate and effective compensation. Compensation should be carried out without undue delay. Compensation shall correspond to the market value of the expropriated investment immediately before the expropriation or before the impending expropriation when it became known. Until the payment of the amount of compensation shall bear interest in accordance with the Contracting Party where investments have been made to set market-based interest rate applicable in the territory of the state.
2. The investor whose investments expropriated, shall have the right to prompt review of his case by a judicial or other independent authority, acting in accordance with the law of the State of the Contracting Party in whose territory the expropriation carried out, as well as the determination of the value of its investments in accordance with the principles set in paragraph 1 of this article.

Article 6. Transfer Payments In Connection with Investments

1. Each Contracting Party shall guarantee to investors of the other Contracting Party after the payment of their free transfer of payments established taxes and fees in connection with the investments, and in particular, but not exclusively:

- a) the amount of investment and additional amounts to maintain or increase investments;
- b) income as defined in paragraph 3 of Article 1 of this Agreement;
- c) the amounts in repayment of loans related to investments;
- d) the sums received by the investor in connection with the partial or total liquidation or sale of investments;
- e) compensation provided for in Articles 4 and 5 of this Agreement;
- f) About salaries and other remuneration of nationals of another Contracting Party in accordance with the law of the State of the Contracting Party which were carried out in the territory of the investment.

2. Transfer of payments provided for in this Article shall be made in freely convertible currency. When transferring payments will apply the exchange rate in effect on the date of transfer in accordance with the exchange control regulations of the state of the Contracting Party in whose territory the investment has been carried out.

Article 7. Subrogation

1. If a Contracting Party or its designated agency will make the payment in favor of the investor of that Contracting Party under a guarantee given in respect of investments made in the territory of the other Contracting Party, the latter Contracting Party shall recognize the transition to the first Contracting Party or its designated agency of all rights and investor claims that the compensation has been paid under the guarantee.

2. Contracting Party or its designated agency shall be allowed to exercise any rights and claims to the same extent that such a right would be given to the investor.

Article 8. Settlement of Investment Disputes between a Contracting Party and an Investor of the other Contracting Party

1. Disputes between a Contracting Party and an investor of the other Contracting Parties arising from the implementation of investments, including disputes over the size of the issues, conditions, or order the payment of compensation, shall be settled by negotiations.

2. If such disputes can not be settled through negotiation within six months from the investor an appropriate written application the date one Contracting Party to another Contracting Party, they can be selectively transferred to the investor:

a) the competent court or tribunal of the Contracting Party in whose territory the investments were made;

b) The International Centre for Settlement of Investment Disputes

("The Centre"), if the Russian Federation and the Czech Republic are parties to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, done at Washington, 18 March 1965 ("the Convention"), or by the use of additional centers procedure if The Russian Federation and the Czech Republic is not a party to the Convention;

c) the arbitration court ad hoc in accordance with the Arbitration Rules of the International Trade Law of the United Nations Commission (UNCITRAL).

3. The arbitration award will be for the parties to the dispute shall be final and binding.

Article 9. Consultations

The Contracting Parties on the proposal of any of them may be consulted on matters relating to the interpretation or application of this Agreement.

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 through negotiations. If so the dispute will not be settled within six months, at the request of either Contracting Party, he shall be referred to the arbitral tribunal.

2. The arbitral tribunal will be created separately for each case. The Contracting Parties shall appoint one member of the

court. The appointed members of the Court will elect a national of a third State as chairman of the court, which is by mutual agreement of the Contracting Parties shall be appointed Chairman of the tribunal. The members of the Court shall be appointed within two months from the date when one of the Contracting Parties gives the other Contracting Party written notice of its intention to submit the dispute to an arbitral tribunal. The presiding judge will be appointed within three months from the date of appointment of its members.

3. If specified in paragraph 2 of this Article the necessary appointments terms will not be made, either Contracting Party may, in the absence of any other agreement to turn to the International Court of Justice President to make the necessary appointments. If the President is a national of one of the Contracting Parties or it may not, for any other reasons to carry out the said function, then make the necessary appointments will be offered to the Vice-President of the International Court of Justice. If the Vice-president is a national of one of the Contracting Parties or it also can not be said function, to make the necessary appointments will be offered next in seniority of the member of the International Court of Justice who is not a national of either Contracting Party.

4. The arbitral tribunal takes a decision by a majority vote, which is binding. Each Contracting Party shall bear the expenses related to the activities of its designated member of the court. Costs associated with the chairman of the court activity, and other expenses The Contracting Parties shall bear in equal shares. For all other matters the arbitral tribunal shall determine its own procedure.

Article 11. The Application of other Rules

If the provisions of other international agreements, which are involved or will involve the Russian Federation and the Czech Republic, or the rules of the law will establish more favorable than that provided for by this Agreement, will apply more favorable treatment.

Article 12. Application of the Agreement

This Agreement shall apply to investments made by investors of one Contracting Party in the territory of the other Contracting Party since 1 January 1988.

Article 13. Entry Into Force, Duration and Termination

1. This Agreement shall enter into force on the date of the last written notification about the fulfillment by the Contracting Parties of internal procedures necessary for its entry into force.

2. This Agreement is concluded for a period of ten years and thereafter shall remain in force until the expiration of twelve months from the date on which either Contracting Party gives written notice to the other Contracting Party of its intention to terminate it.

3. In respect of investments made prior to the date of termination of this Agreement, its provisions shall remain in force for the next ten years from the date of termination of this Agreement.

Done in Moscow on April 5, 1994, in duplicate, each in the Russian and Czech languages, both texts being equally authentic.