A G R E E M E N T ON THE PROMOTION AND PROTECTION OF INVESTMENTS BETWEEN BOSNIA AND HERZEGOVINA AND THE FEDERAL REPUBLIC OF YUGOSLAVIA

The Federal Republic of Yugoslavia and Bosnia and Herzegovina, hereinafter referred to as "Parties to the Agreement",

Anxious to enlarge and strengthen cooperation between the Parties to the Agreement;

Desirous of creating and maintaining favourable conditions for greater investments of the investors of one Party to the Agreement in the territory of the other Party to the Agreement;

Having noted that stimulation and mutual protection of such investments under this Agreement shall contribute to stimulation of business initiative and increase economic prosperity in both Parties to the Agreement:

Have agreed as follows:

Article 1. Definitions

For the purpose of this Agreement:

1. The expression "investment" shall stand for each kind of resources invested for the purposes of acquiring economic benefit or for other business purposes by the investors of one Party to the Agreement in the territory of the other Party to the Agreement, in conformity with laws and regulations of the latter and shall include especially, but not exclusively: (a) Movable and real estate property, as well as any other in rem property rights such as mortgage, pledges or guarantees;

(b) Shares, bonds and any other form of participation in companies;

(c) Payment claims and any other claims according to the Agreement which have economic value;

(d) Intellectual property rights, such as copyrights and rights related to them, patents, industrial designs, trademarks, trade names and know-how;

(e) Business concessions given by law or according to a treaty, including concessions for researches, development, mine-working and exploitation of natural resources.

Any subsequent change of form the funds have been invested and re-invested in, shall not have influence on their character as an investment provided that such a change is in conformity with laws and regulations of the Party to the Agreement in whose territory the investment has been made.

2. The expression "investor" shall stand for: (a) In relation to Bosnia and Herzegovina: (i) Natural persons enjoying the citizenship of Bosnia and Herzegovina according to the applicable laws in Bosnia and Herzegovina, if having residence or main location of activities in Bosnia and Herzegovina;

(ii) Legal entities established in conformity with current laws in Bosnia and Herzegovina whose registered head office, central administration or main location of activities is in the territory of Bosnia and Herzegovina.

(b) In relation to The Federal Republic of Yugoslavia: (i) Natural person having citizenship of the Federal Republic of Yugoslavia and making investments in the territory of Bosnia and Herzegovina;

(ii) Legal entity established, constituted or in any other way properly organized in conformity with laws and regulations of the Federal Republic of Yugoslavia, having its own head office in the territory of the Federal Republic of Yugoslavia and making investment in the territory of Bosnia and Herzegovina

3. The expression "returns" shall stand for the amounts brought by investments within specific period of time and especially,

although not exclusively, it shall include profits, interest, dividends, incomes from the capital, royalties, licence compensations and other compensations.

4. The expression "territory" shall stand for: (a) In relation to Bosnia and Herzegovina:

The entire terrestrial territory of Bosnia and Herzegovina, its territorial sea, the entire area, underground and air space above, including any maritime region situated beyond territorial sea of Bosnia and Herzegovina, and pursuant to the international law, defined as a region Bosnia and Herzegovina may have rights in, in relation to seabed and underground and natural resources;

(b) In relation to the Federal Republic of Yugoslavia:

Areas enclosed by terrestrial borders, as well as the sea area, seabed and its underground out of territorial waters over which the Federal Republic of Yugoslavia has sovereign rights and jurisdiction, in conformity with national laws and regulations and international law.

Article 2. Stimulation and Protection of Investments

1. Each Party to the Agreement shall stimulate and create favourable, stable and transparent conditions for the investors of the other Party to the Agreement to invest their capital in its territory and shall approve such investments within its laws and regulations.

2. The investments of the investors of any of the Parties to the Agreement shall be at any time approved fair and equitable treatment and shall enjoy complete protection and safety in the territory of the other Party to the Agreement. No Party to the Agreement shall, in any way, taking unreasonable or discriminatory measures, in its territory, hinder expansion, management, maintenance, exploitation, enjoyment or disposal of the investments of the other Party's investors.

Article 3. National Treatment and the Most Favoured Nation Treatment

1. Each Party to the Agreement shall approve, in its territory, the investments and returns of the investors of the other Party to the Agreement, a treatment in any case no less favourable than the one approved to the investments of any third country's investors, depending on which one is more favourable for the investors of the other Party to the Agreement.

2. Each Party to the Agreement shall not, in its territory, assign the investors of the other Party to the Agreement, regarding their expansion, management, maintenance, exploitation, enjoyment or disposal of their investments, a treatment less favourable than the treatment it provides to its own investors or the investors of any third country, depending on which one is more favourable for the investors of the other Party to the Agreement.

3. Provisions of paragraphs 1 and 2 of this Article have not been composed so to oblige one of the Parties to the Agreement to expand the benefit of any treatment, advantage or privilege on the investors of the other Party to the Agreement which come as a result from:

(a) Membership or association with any existing or forthcoming zone of free trade, customs union, economic union, common market or similar international agreement under which the Party to the Agreement is a member or may become one;

(b) An agreement on avoiding double taxation or any other arrangements which in their entirety or partly refer to a taxation issue.

Article 4. Nationalization and Expropriation

1. Investments of the investors of any Party to the Agreement shall not be nationalized, expropriated, requisitioned or subjected to measures having the same effect as nationalization or expropriation (hereinafter referred to as: "expropriation"), in the territory of the other Party to the Agreement, except measures in public interest connected to internal needs on the grounds of law, on non-discriminatory basis and along with prompt, relevant and efficient compensation.

2. Such a compensation shall represent an actual commercial value of the damaged investment immediately prior to expropriation or before the existing expropriation becomes widely known fact in a way affecting the investment value, dependant what happens earlier. Compensation shall comprise an interest according to normal commercial rate for current transactions, from the expropriation date until the settlement date. Compensation shall be paid in freely convertible currency and shall be transferable, with no unnecessary delay, to the country designated by respective claimants.

3. The investors of any Party to the Agreement, having suffered the damage, shall have claim, in conformity with the laws of the Party to the Agreement which has performed the expropriation, upon urgent reconsideration, by courts or other independent bodies of that Party to the Agreement, the expropriation legality , its procedure and the assessment of such an investment, in compliance with the principles defined in paragraph 1 of this Article.

Article 5. Damages

The investors of any Party to the Agreement having suffered the losses, including damages, in relation to their investments in the territory of the other Party to the Agreement, as a consequence of war or any other armed conflict, revolution, state of emergency, rebellion, uprising or disturbances, shall be approved the treatment by the other Party to the Agreement, with regard to restitution, indemnification, compensation or any other solution, no less favourable than the one the Party to the Agreement approves to its own investors or the investors of any third country, depending which one is more favourable for the investors of the other Party to the Agreement.

Article 6. Transfers

1. Each Party to the Agreement shall guarantee the investors of the other Party to the Agreement free transfer of funds referring to their investments to and from its territory. Such transfers shall comprise especially but not exclusively:

(a) Initial capital and additional funds required for maintenance and development of investments;

(b) Returns form investments;

(c) Funds for instalment of debts referring to an investment;

(d) Incomes from entire or partial sale or liquidation of investments;

(e) Any compensation or other payment made within the meaning of Article 4 and 5 of this Agreement;

(f) Payments made on the grounds of settlement of disputes;

(g) Unspent salaries and other compensations of the citizens engaged from abroad in relation to an investment;

2. Transfers shall be performed with no unnecessary delay, in convertible currency according to the exchange rate applicable on the transfer day.

3. The Parties to the Agreement accept to approve such transfers the treatment no less favourable than the one being approved for transfers resulting from investments made by the investors of any third country.

Article 7. Subrogation

1. If a Party to the Agreement or an authorized agency makes payment to its investors, according to the guarantee of insurance against non-commercial risks, issued in relation to the investment in the territory of the other Party to the Agreement, the other Party to the Agreement shall recognize:

(a) Transfer of any right or claim of the damaged investor to the former Party to the Agreement or its authorized agency on the basis of law, and

(b) That the former Party to the Agreement shall be empowered to conduct such rights and such claims through subrogation, and to accept obligations referring to the investments;

2. Subrogated rights and claims shall not exceed the prime rights and claims of the investor;

3. Subrogation of rights and the obligations of a damaged investor shall also be applied to the transfer of funds made in accordance with Article 6 of this Agreement.

Article 8. Settlement of Disputes between Investors and a Party to the Agreement

1. Any dispute possible to arise between a Party to the Agreement and an investor of the other Party to the Agreement, in relation to the investments in the territory of the other Party to the Agreement, shall be settled in a friendly manner through consultations and talks.

2. If such a dispute fails to be settled in the manner from paragraph 1 of this Article within three month period from the

date of a written request of any Party for the settlement of dispute in a friendly manner, respective investor may bring the dispute whether to:

(a) Competent court or administrative tribunal of the Party to the Agreement in whose territory the investment has been made; or

(b) International Centre for settlement of investment disputes (hereinafter referred to as: "Centre") through reconciliation or arbitration, established according to the Convention on settlement of investment disputes between the countries and the citizens of other countries, opened for signing in Washington, D.C. on 18 March 1965 (hereinafter referred to as: "Convention").

3. The company founded or constituted according to the laws applicable in the territory of a Party to the Agreement and in which, before such a dispute has arisen, majority of shares were under the property of the investors of the other Party to the Agreement, shall be treated, in accordance with Article 25 (2) (b) of Convention, for the purposes of this Convention as a company of the other Party to the Agreement.

4. Arbitration decision shall be final and binding for both parties in the dispute and shall be implemented in conformity with regulations of respective Party to the Agreement.

5. During the arbitration procedure or decision implementing, The Party to the Agreement, as a defence, objection, against request, right of reimbursement or other reasons, shall not invoke the fact that the investor, being a party in the dispute, has received or shall receive, pursuant to the insurance contract or guarantee against political risks, damages or any other compensation for allegedly suffered damage or its part.

Article 9. Consultations and Exchange of Information

1. At the request of a Party to the Agreement, the other Party to the Agreement shall with no unnecessary delay approach the talks about interpretation and implementation of this Agreement.

2. At the request of any Party to the Agreement, information about impact which the laws, regulations, decisions, administrative practices and procedures or policies of the other Party to the Agreement may have on the investments comprised with this Agreement, shall be exchanged.

Article 10. Settlement of Disputes between the Parties to the Agreement

1. Disputes between the Parties to the Agreement in relation to interpretation or implementation of this Agreement shall be settled, if possible, through consultations and negotiations through diplomatic channels.

2. If the dispute between the Parties to the Agreement fails to be settled in the manner from paragraph 1 of this Article within six months from the date of settlement request, the dispute shall be submitted, at the request of any Party to the Agreement, to the arbitration tribunal consisted of three members.

3. Such an arbitration tribunal shall be constituted for each individual case as follows. Within two months from the reception date of arbitration request, each Party to the Agreement shall appoint one member to the tribunal. Those two members shall subsequently select a citizen of the third country who shall be appointed for the president of the tribunal, upon approval of the two Parties to the Agreement. The president shall be appointed within two months from the day of the other two members' appointment.

4. If during the period defined in paragraph 3 of this Article all necessary appointments are not made, any of the Parties to the Agreement may invite the President of the International Court of Justice to make the necessary appointments. If the President is a citizen of any of the Parties to the Agreement or is in any other way unable to perform the quoted function, the most senior member of the International Court of Justice, who is not a citizen of any of the Parties to the Agreement, shall be invited to perform necessary appointments.

5. The tribunal shall define its own work procedure.

6. The arbitration tribunal makes its decision by a majority of vote. Such a decision shall be final and binding for both Parties to the Agreement.

7. Each Party to the Agreement shall bear the costs of its tribunal member and its representation in the arbitration procedure: the Parties to the Agreement shall bear the costs of the President and other costs in equal shares. The tribunal may, however, according to its decision, define that one of the Parties to the Agreement bears major part of the costs, and that decision shall be binding for both Parties to the Agreement.

8. The dispute shall not be submitted to the International Arbitration Tribunal for dispute settlement in accordance with this Article, if the same dispute has already been submitted for settlement to some other international arbitration court in accordance with provisions of Article 8 of this Agreement, as long as that procedure is underway. This shall not affect the possibility of dispute settlement in accordance with paragraph 1 of this Article.

Article 11. Application of other Regulations

If the provisions of law of any of the Parties to the Agreement or the obligation toward international law which exist or shall be established subsequently between the Parties to the Agreement as an appendix to the current Agreement, consist of rules, whether general or specific, giving the investors of the other Party to the Agreement the right of more favourable treatment than the one the current Agreement stipulates, such rules, while they last and to the extent they are the most favourable in, shall prevail over the current Agreement.

Article 12. Application of the Agreement

This Agreement shall apply to the investments made or acquired after the date of its entry into force.

Article 13. Entry Into Force, Continuation and Expiration

1. Each Party to the Agreement shall inform the other one, in written form, on fulfilling internal legal formalities required in its territory for entry into force of this Agreement. This Agreement shall enter into force on the thirtieth day following that of reception of the latter of these two notifications. Ratification documents shall be exchanged as soon as possible.

2. This Agreement shall stay in force for the ten year period following the day of its entry into force and shall continue to be valid unless cancelled pursuant to paragraph 3 of this Article.

3. With a written notice given a year in advance, to the other Party to the Agreement, any Party to the Agreement may cancel this Agreement at the end of the initial period up to ten years, or at any time following that.

4. Compared to the investments made or acquired prior to the expiration date of this Agreement, provisions of all other Articles under this Agreement shall stay in force for further ten year period following the expiration date.

5. This Agreement may be changed according to a written agreement between the Parties to the Agreement. Any change shall enter into force according to the procedure equal to that required for entry into force of this Agreement.

6. This Agreement shall apply no matter if the Parties to the Agreement have diplomatic or consular relationships.

In witness whereof the undersigned representatives, properly empowered for that, have signed this Agreement.

Done in Sarajevo, on the day of 18 December 2001, in two originals in the Bosnian/Croatian/Serbian and English language, where both languages shall be equally relevant. In case of any discrepancy in interpretation, the text in English shall prevail.

For Bosnia and Herzegovina

For The Federal Republic of Yugoslavia