

# AGREEMENT

BETWEEN THE GOVERNMENT OF THE RUSSIAN FEDERATION AND THE GOVERNMENT OF THE REPUBLIC OF CROATIA on the promotion and mutual protection of investments

(Moscow, 20 May 1996)

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

Referring to the creation of favorable conditions for investments by investors of one Contracting Party in the territory of the other Contracting Party,

Considering that the promotion and reciprocal protection of such investments will contribute to the development of mutually beneficial trade-economic and scientific and technical cooperation,

Have agreed as follows:

## Article 1.

For the purposes of this Agreement:

1. The term "investor" means any natural person who is a national of a Contracting Party, and any legal entity established in accordance with its legislation.
2. The term "investments" covers all kinds of assets, which are invested by the investor of one Contracting Party in the territory of the other Contracting Party in accordance with its legislation, and in particular:
  - a) movable and immovable property, and related property rights, including the right to bail;
  - b) cash and shares, stocks and other forms of participation;
  - c) claims to money or to any contractual obligations with an economic value;
  - d) intellectual property rights, including copyrights and industrial property rights and know-how;
  - e) the right to carry out business activities conferred by law or contract, including, in particular, the right to exploration, development and exploitation of natural resources.Any change in the form of investments of assets will not affect their character as investments provided that such change does not contradict the legislation of the Contracting Party in whose territory the investments were made.
3. The term "returns" means amounts yielded by an investment in accordance with paragraph 2 of this article, in particular, as the income (profit share), dividends, interest, royalties and commissions, payments for technical assistance and maintenance, as well as other remuneration.
4. The term "territory" means the territory of the Russian Federation or the territory of the Republic of Croatia, and includes their respective exclusive economic zone and continental shelf, defined in accordance with international law.

## Article 2.

1. Each Contracting Party shall encourage investors of the other Contracting Party to make investments in its territory and in accordance with its law admit such investments.
2. Each Contracting Party shall ensure, in accordance with its legislation full and unconditional legal protection to investments of investors of the other Contracting Party.

### **Article 3.**

1. Each Contracting Party shall ensure in its territory investments made by investors of the other Contracting Party, and activities in connection with such investments fair and equitable treatment, excludes the application of discriminatory measures that would impede the management and disposal of investments.
2. The regime referred to in paragraph 1 of this Article, will be at least as favorable as that accorded to investments and activities in connection with the investments of investors of any third state.
3. Each Contracting Party shall provide, in accordance with its law investments made in its territory by investors of the other Contracting Party, and activities in connection with such investments treatment no less favorable than that accorded to investments and activities in connection with the investments of its own investors,.
4. Most-favored-nation treatment granted in accordance with paragraph 2 of this Article shall not apply to the advantages which the Contracting Party is providing or will provide in the future:

In connection with participation in a free trade area, customs or economic union;

By virtue of the agreements of the Russian Federation with the states of the former Union of Soviet Socialist Republics;

By virtue of agreements between the Republic of Croatia with the countries formerly part of the Socialist Federal Republic of Yugoslavia;

On the basis of agreements to avoid double taxation or other agreements on taxation.

### **Article 4.**

Investments of investors of either Contracting Party,

Carried out on the territory of the other Contracting Party shall not be nationalized, expropriated or subjected to measures for equal

The effects of nationalization or expropriation (hereinafter referred to as - expropriation), except in cases where such measures are taken in the public interest as provided by law, are not discriminatory and are accompanied by payment of prompt, adequate and effective compensation. Compensation shall correspond to the market value of the expropriated investment immediately before the date when it became aware of the impending expropriation or of the actual implementation. Compensation will be paid without unreasonable delay in freely convertible currency by agreement between an investor of one Contracting Party and the other Contracting Party. Since expropriation until payment of the amount of compensation will bear interest in the same freely convertible currency at the established market-based interest rate, which should not be lower than the London interbank rate (LIBOR).

### **Article 5.**

Investors of one Contracting Party whose investments suffer losses in the territory of the other Contracting Party owing to war or other armed conflict, state of emergency, civil unrest or other similar circumstances, the latter Contracting Party shall provide, in relation to the property recovery, compensation and other forms of settlement regime no less favorable than that accorded to its own investors or investors of any third state.

### **Article 6.**

If one Contracting Party or its designated agency will make a payment to any of its investors on the basis of guarantees given in respect of investments made in the territory of the other Contracting Party, the latter Contracting Party shall recognize the transfer of the former Contracting Party or its designated agency of all rights of the investor.

### **Article 7.**

1. Each Contracting Party shall guarantee to investors of the other Contracting Party after the payment of the relevant taxes and duties free transfer abroad of payments in connection with the investments, and in particular:

- a) income as defined in paragraph 3 of Article 1 of this Agreement;
- b) the amounts in repayment of loans, recognized by both Contracting Parties as investments;

c) the amounts received by the investor in connection with the partial or total liquidation or sale of investments;

d) the compensation provided for in Article 4 of this Agreement.

2. Transfer of payments referred to in paragraph 1 of this Article shall be made in freely convertible currency at the rate applicable on the date of transfer in accordance with the laws of the Contracting Party in whose territory the investments were made.

## **Article 8.**

Disputes between a Contracting Party and an investor of the other Contracting Party arising in connection with the implementation of investments, including disputes over the size of the issues, conditions, or order the payment of compensation shall be settled as far as possible by negotiations.

If so the dispute is not resolved within six months from the date of its origin, its consideration may be referred to:

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

b) The Arbitration Institute of the Stockholm Chamber of Commerce;

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

## **Article 9.**

The Contracting Parties on the proposal of any of them, shall hold consultations on matters relating to the interpretation or application of this Agreement.

## **Article 10.**

1. Disputes between the Contracting Parties concerning the interpretation of this Agreement shall be settled through negotiations organized through diplomatic channels.

If so the dispute is not settled within twelve months from the start of negotiations, at the request of either Contracting Party, it 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, as well as co-national of a third State as chairman of the court. The members of the Court shall be appointed within two months and the chairman of the court - within three months from the date when one of the Contracting Parties declares its intention to submit the dispute to an arbitral tribunal.

3. If specified in paragraph 2 of this article the terms are not observed, in the absence of any other agreement, either Contracting Party may request the International Court of Justice to make the necessary appointment. If the President of the International Court of Justice is a national of either Contracting Party or is otherwise prevented from discharging the said function, make such appointments will be offered to the Vice-President of the International Court of Justice. If the Vice-President of the International Court of Justice is a national of either Contracting Party or is otherwise prevented from discharging the said function, make an appointment 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 shall render its decision by majority vote. This decision will be final and will be binding. Each of the Contracting

Parties 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 will be borne by the Contracting Parties in equal shares. The arbitral tribunal may, however, determine in its decision that one of the Contracting Parties shall bear a larger share of the costs. For all other matters the court will determine its own procedure.

## **Article 11.**

This Agreement shall apply to all investments made by investors of either Contracting Party in the territory of the other Contracting Party since October 8, 1991.

## **Article 12.**

1. This Agreement shall enter into force on the date of the last written notification through diplomatic channels of the completion by the Contracting Parties of the necessary domestic procedures.
2. This Agreement is concluded for a period of ten years. It shall be automatically renewed for successive ten-year periods, unless either Contracting Party notifies in writing through diplomatic channels to the other Contracting Party at least twelve months prior to the expiry of the period of its intention to terminate this Agreement.
3. In respect of investments made prior to the date of termination of this Agreement, the provisions of this Agreement shall remain in force for the next ten years after that date.

Done in Moscow on 20 May 1996 in two copies, each in the Russian and Croatian languages, both texts being equally authentic.