

AGREEMENT BETWEEN THE LEBANESE REPUBLIC AND THE CZECH REPUBLIC ON THE PROMOTION AND RECIPROCAL PROTECTION OF INVESTMENTS

The Lebanese Republic and the Czech Republic herein referred to as the "Contracting Parties",

Desiring to encourage economic cooperation to the mutual benefit of both States,

Intending to create and maintain favourable conditions for investments by investors of one Contracting Party in the territory of the other Contracting Party,

Recognizing that the encouragement and contractual protection of such investments are apt to stimulate private business initiative and to increase the prosperity of both States,

Have agreed as follows:

Article 1. Definitions

For the purposes of this Agreement:

1— The term "investor" refers with regard to either Contracting Party to:

- (a) Natural persons who, according to the law of that Contracting Party, are considered to be its citizens;
- (b) Legal entities, companies, including holding or offshore companies, corporations, business associations and other organizations, which are constituted or otherwise duly organized under the law of that Contracting Party and have their seat in the territory of that same Contracting Party.

2— The term "investment" shall comprise every kind of asset invested in connection with business and economic activities by an investor of one Contracting Party in the territory of the other Contracting Party in accordance with the laws and regulations of the latter and shall include, in particular, though not exclusively:

- (a) Movable and immovable property as well as any other rights in rem, such as mortgages, liens, and pledges;
- (b) Shares in companies and other kinds of interest in companies;
- (c) Intellectual property rights, such as copyrights, patents, industrial designs or models, trade or service marks, trade names, technical processes, know-how and goodwill, as well as other similar rights recognized by the laws of the Contracting Parties;
- (d) Business concessions under public law, including concessions to search, extract, cultivate, or exploit natural resources as well as all other rights given by law, by contract or by decision of the authority in accordance with the law;
- (e) Claims to money or to any performance under contract having a financial value associated with an investment.

Any alteration of the form in which assets are invested or reinvested shall not affect their character as investment.

3— The term "returns" means amounts yielded by an investment and in particular, though not exclusively, includes profits, dividends, interest, capital gains, royalties, management and technical assistance or other fees, irrespective of the form in which the return is paid.

4— The term "territory" means:

- (a) In the case of the Lebanese Republic, the territory, including the territorial sea and the economic exclusive zone as well as the continental shelf that extends outside the limits of the territorial waters, over which Lebanon exercises, in accordance

with internal and international law, sovereignty, sovereign rights, and jurisdiction.

(b) In the case of the Czech Republic, the territory over which the Czech Republic exercises, in virtue of the Czech legislation and in conformity with international law, its sovereign rights and jurisdiction.

Article 2. Promotion and Protection of Investment

1— Each Contracting Party shall in its territory promote investments by investors of the other Contracting Party and admit such investments in accordance with its laws and regulations.

2— When a Contracting Party shall have admitted an investment on its territory, it shall, in accordance with its laws and regulations, grant the necessary permits in connection with such an investment, including authorizations for engaging top managerial and technical personnel of their choice, regardless of nationality.

3— Each Contracting Party shall protect within its territory investments made in accordance with its laws and regulations by investors of the other Contracting Party and shall not impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment, extension, sale or liquidation of such investments. In particular, each Contracting Party or its competent authorities shall issue the necessary authorizations mentioned in paragraph 2 of this Article.

Article 3. National and Most Favored Nation Treatment

1— Each Contracting Party shall in its territory accord to investments and returns of investors of the other Contracting Party treatment, which is fair and equitable and not less favourable than that which it accords to investments and returns of its own investors or to investments and returns of investors of any third State, whichever is more favourable.

2— Each Contracting Party shall in its territory accord to investors of the other Contracting Party, as regards maintenance, use, enjoyment, or disposal, as well as the way of management of their investment, treatment which is fair and equitable and not less favourable than that which it accords to investors of any third State, whichever is more favourable.

3— The most favoured nation treatment shall not be construed so as to oblige a Contracting Party to extend to the investors and investments of the other Contracting Party the advantages resulting from any existing or future customs or economic union, a free trade area or regional economic organization, to which either of the Contracting Parties is or becomes a member, or in the case of Lebanon the treatment granted to investors who are nationals of Arab countries. Nor shall such treatment relate to any advantage which either Contracting Party accords to investors of a third state by virtue of a double taxation agreement or other agreements on a reciprocal basis regarding tax matters.

Article 4. Compensation for Losses

1— Where investments of investors of either Contracting Party suffer losses owing to war, armed conflict, a state of national emergency, revolt, insurrection, riot, or other similar events in the territory of the other Contracting Party, such investors shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation or other settlement, not less favourable than that which the latter Contracting Party accords to its own investors or to investors of any third State.

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 losses in the territory of the other Contracting Party resulting from:

(a) Requisitioning of their property by the forces or authorities of the latter Contracting Party, or

(b) Destruction of their property by the forces or authorities of the latter Contracting Party which was not caused in combat action or was not required by the necessity of the situation,

Shall be accorded restitution or just and adequate compensation for the losses sustained during the period of the requisitioning or as a result of the destruction of the property.

Article 5. Expropriation

1— Investments of investors of either Contracting Party shall not be nationalized, expropriated, or subjected to measures having effect equivalent to nationalization or expropriation (hereinafter referred to as "expropriation") in the territory of the other Contracting Party except for a public purpose. The expropriation shall be carried out under due process of law, on a non-discriminatory basis and shall be accompanied by provisions for the payment of prompt, adequate, and effective

compensation. Such compensation shall amount to the value of the expropriated investment, and shall include the usual bank interest from the date of changing of title.

2— The investor affected shall have a right to prompt review by a judicial or other independent authority of that Contracting Party, of his or its case and of the valuation of his or its investment in accordance with the principles set out in this Article.

Article 6. Free Transfer

1— Each Contracting Party in whose territory investments have been made by investors of the other Contracting Party shall grant those investors the free transfer of the payments relating to these investments, in a freely convertible currency, particularly but not exclusively the following:

- (a) Investment returns according to Article 1, paragraph 3 of this Agreement; paragraph 3 of this Agreement;
- (b) Amounts relating to loans incurred, or other contractual obligations undertaken, for the investment;
- (c) Proceeds accruing from the total or partial sale, alienation or liquidation of an investment;
- (d) The earnings and other compensations of nationals of the other Contracting Party who are allowed to work in connection with an investment in the territory of the other Contracting Party;
- (e) Capital and additional amounts to maintain or increase the investment; and
- (f) Compensation under Articles 4 and 5 of this Agreement. Articles 4 and 5 of this Agreement.

2— The host Contracting Party of the investment shall allow the investors of the other Contracting Party to purchase the necessary foreign currency to make transfers pursuant to this Article, in a non-discriminatory manner, at the prevailing market rate of exchange applicable on the date of transfer.

3— Both Contracting Parties should undertake to carry out the formalities required for the acquisition of foreign currency and for its effective transfer abroad without undue delay and within a maximum period of two months. Moreover, the Contracting Parties should agree to accord to transfers referred to in the present Article a treatment no less favourable than that accorded to transfers originated from investments made by investors of any third state.

Article 7. Principle of Subrogation

If either Contracting Party or its designated agency makes payment to one of its investors under any guarantee against non-commercial risks it has granted in regard of an investment in the territory of the other Contracting Party, the latter shall, without prejudice to the rights of the former Contracting Party under Article 9 of this Agreement, recognize the assignment, whether under a law or pursuant to a legal transaction, of any claim or right of title of that investor to the first Contracting Party or its designated agency. The latter Contracting Party shall also recognize the subrogation of the former Contracting Party to any such claim or right which that Contracting Party shall be entitled to assert to the same extent as its predecessor in title.

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

1— For the purpose of solving disputes with respect to investments between a Contracting Party and an investor of the other Contracting Party, consultations will take place between the parties concerned with a view to solving the case, as far as possible, amicably.

2— If these consultations do not result in a solution within six months from the date of written request for settlement, the investor may submit the dispute, at his choice, for settlement to:

- (a) The competent court of the Contracting Party in the territory of which the investment has been made; or
- (b) The International Center for Settlement of Investment Disputes (ICSID) provided for by the Convention on the Settlement of Investment disputes between States and Nationals of the other States, opened for signature at Washington, on March 18, 1965, in case both Contracting Parties have become members of this Convention; or Convention on the Settlement of Investment disputes between States and Nationals of the other States, opened for signature at Washington, on March 18, 1965, in case both Contracting Parties have become members of this Convention; or
- (c) An ad hoc' arbitral tribunal which, unless otherwise agreed upon by the parties to the dispute, shall be established under

the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL)

3— The arbitral tribunal shall decide the dispute in accordance with the provisions of this Agreement and the applicable rules and principles of International law. The awards of arbitration shall be final and binding on both parties to the dispute. Each Contracting Party shall carry out without delay any such award and such award shall be enforced in accordance with domestic law.

4— The Contracting Party which is a party to the dispute shall, at no time whatsoever during the procedures involving investment disputes, assert as a defense its immunity or the fact that the investor has received compensation under an insurance contract, other than the guarantee as mentioned in Article 7, covering the whole or part of the incurred damage or loss.

Article 9. Settlement of Disputes between Contracting Parties

1— Disputes between Contracting Parties regarding the interpretation or application of the provisions of this Agreement shall be settled through consultations and negotiations.

2— If both Contracting Parties cannot reach an agreement within six months from the start of the negotiations, the dispute shall, upon request of either Contracting Party, be submitted to an arbitral tribunal of three members. Each Contracting Party shall appoint one arbitrator, and these two arbitrators shall nominate a chairman who shall be a citizen of a third State.

3— If one of the Contracting Parties has not appointed its arbitrator and has not followed the invitation of the other Contracting Party to make that appointment within two months of the receipt of the request for arbitration, the arbitrator shall be appointed upon the request of that Contracting Party by the President of the International Court of Justice.

4— If both arbitrators cannot reach an agreement about the choice of the chairman within two months after their appointment, the latter shall be appointed upon the request of either Contracting Party by the President of the International Court of Justice.

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

6— The tribunal shall reach its decision by a majority of votes.

7— The tribunal shall issue its decision on the basis of respect for the law, the provisions of this Agreement, as well as of the universally accepted principles of international law.

8— Subject to other provisions made by the Contracting Parties, the tribunal shall determine its procedure.

9— Each Contracting Party shall bear the cost of the arbitrator it has appointed and of its representation in the arbitral proceedings. The cost of the chairman and the remaining costs shall be borne in equal parts by the Contracting Parties. The arbitration tribunal may make a different regulation concerning costs.

10— The decisions of the tribunal are final and binding for each Contracting Party.

Article 10. Other Obligations

1— If the legislation of either Contracting Party or obligations under international law existing at present or established hereafter between the Contracting Parties in addition to this Agreement contain a provision, whether general or specific, entitling investments by investors of the other Contracting Party to treatment more favourable than is provided for by this Agreement, such a provision shall, to the extent that it is more favourable, prevail over this Agreement.

2— Each Contracting Party shall observe any other obligation it has assumed with regard to investments in its territory by investors of the other Contracting Party.

Article 11. Application of the Agreement

The present Agreement shall also apply to investments in the territory of a Contracting Party made in accordance with its

laws and regulations by investors of the other Contracting Party prior to the entry into force of this Agreement. However, the Agreement shall not apply to disputes that have arisen before its entry into force.

Article 12. Relations between Governments

This Agreement shall be in force irrespective of whether or not diplomatic or consular relations exist between the Contracting Parties.

Article 13. Final Provisions

1— This Agreement shall enter into force 30 days after the date of the second notification of the fulfillment of the legal requirements for the entry into force of this Agreement. It shall remain in force for a period of ten years and shall be extended thereafter for an unlimited period unless denounced in writing by either Contracting Party twelve months before its expiration.

2— In case of official notice as to the termination of the present Agreement, the provisions of Articles 1 to 12 shall continue to be effective for a further period of ten years for investments made before official notice was given.

Done at Beirut, on September 19, 1997 in two originals, in the Arabic, Czech, and English languages, each text being equally authentic. In case of difference of interpretation, the English text shall prevail.

FOR THE LEBANESE REPUBLIC

FOR THE CZECH REPUBLIC

Lebanon has exceptional ties with Arab countries, which are now or shall become members of the Arab League. Consequently, the Lebanese Government has extended special privileges to the nationals of these countries. These privileges are either reciprocal or non-reciprocal.

One of these privileges, is the ownership, without prior approval of the Council of Ministers, of real estate property up to 5000 m² in Lebanon. This privilege dates back to 1969 by the law number 11614 of January 4, 1969. Due to the above, Lebanon cannot but grant such privileges to nationals of Arab countries.

It should be noted that non-Arab nationals, whether physical persons or legal entities, could own real estate in Lebanon provided they acquire prior approval from the Council of Ministers.