

# Agreement between the Czech and Slovak Federal Republic and the Kingdom of Denmark for the Promotion and Reciprocal Protection of Investments

Preamble

The Czech and Slovak Federal Republic and the Kingdom of Denmark hereinafter referred to as the Contracting Parties

DESIRING to create favourable conditions for investments in both States and to intensify the co-operation between private enterprises in both States with a view to stimulating the productive use of resources,

RECOGNIZING that a fair and equitable treatment of investments on a reciprocal basis will serve this aim,

HAVE AGREED as follows:

## Article 1. Definitions

For the purpose of this Agreement:

(1) The term "investment" shall comprise every kind of asset invested by an investor of one Contracting Party in the territory of the other Contracting Party in connection with economic activities and acquired for the purpose of establishing lasting economic relations whether in company form or not including joint ventures provided that the investment has been made in accordance with the laws and regulations of the other Contracting Party and shall include in particular though not exclusively:

(i) movable and immovable property and any other property rights such as mortgages, liens, pledges and similar rights;

(ii) shares, debentures or any other forms of participation in companies;

(iii) returns reinvested, claims to money or other rights relating to services which has been used to create a financial value:

(iv) copyrights, industrial property rights (such as patents, utility models, industrial trade names, indications of origin), know-how and good-will;

(v) business concessions conferred by law, or under contract if permitted by law, including concessions to search for, cultivate, extract and exploit natural resources;

(vi) goods that under a leasing agreement are placed at the disposal of a lessee in the territory of one Contracting Party by a lessor being a national of the other Contracting Party or a legal person having its seat in the territory of that Contracting Party, shall be treated as an investment.

(2) The term "returns" shall mean the amounts yielded by an investment and in particular though not exclusively, includes profit, interest, capital gains, dividends, royalties or fees.

Such amounts, and in case of reinvestment amounts yielded from the reinvestment, shall be given the same protection as the investment.

(3) The term "investor" shall mean with regard to either Contracting Party:

(a) Natural persons having status as nationals of either Contracting Party according to its law.

(b) Any entity established in accordance with, and recognized as a juridical person by the law of that contracting Party, such as corporations, firms, associations, development finance institutions, foundations or similar entities irrespective of whether their liabilities are limited and whether or not their activities are directed at profit.

(4) The term "territory" shall mean in respect of each Contracting Party the territory under its sovereignty and the sea and submarine areas over which the Contracting Party exercises, in conformity with international law, sovereignty, sovereign rights or jurisdiction.

Subject to Article 14 the present Agreement shall not apply to the Faroe Islands and Greenland.

(5) The term "without delay" shall be deemed to be fulfilled if a transfer is made within such period as is normally required by international financial custom and not later, in any case, than three months.

## **Article 2. Promotion of Investment**

Each Contracting Party shall admit the investment by investors of the other Contracting Party in accordance with its laws and regulations, and promote such investments as far as possible including facilitating the establishments of representative offices.

## **Article 3. Protection of Investment**

(1) Investments of investors of either Contracting Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection and security in the territory of the other Contracting Party. Neither Contracting Party shall in any way impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment or disposal of investments in its territory of investors of the other Contracting Party. Each Contracting Party shall observe any obligation it may have entered into with regard to investments of investors of the other Contracting Party.

(2) Neither Contracting Party shall in its territory subject investments made by investors of the other Contracting Party or returns of such investments to treatment less favourable than that which it accords to investments or returns of its own investors or any third State whichever of these standards is more favourable from the point of view of the investor.

(3) Neither Contracting Party shall in its territory subject investors of the other Contracting Party, as regards their management, maintenance, use, enjoyment or disposal of their investment or returns, to treatment less favourable than that which it accords to its own investors or to investors of any third State whichever of these standards is the more favourable from the point of view of the investor.

## **Article 4. Exceptions**

(1) The provisions in this Agreement relative to the grant of treatment not less favourable than that accorded to the investors of either Contracting Party or of any third State 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 resulting from:

(a) any existing or future customs union, regional economic organisations, or similar international agreement to which either of the Contracting Parties is or may become a party, or

(b) any international agreement or arrangement relating wholly or mainly to taxation.

(2) The provisions of Section 1, Article 7 of this Agreement shall be without prejudice to the right of each Contracting Party to take protective measures in respect of capital movements provided such measures are taken in accordance with multilateral agreements to which either of the Contracting Parties is or may become a party.

## **Article 5. Expropriation and Compensation**

Investments of investors of either Contracting Party shall not be nationalised, expropriated or subjected to measures having effect equivalent to nationalisation or expropriation (hereinafter referred to as "expropriation") in the territory of the other Contracting Party except for a public purpose stated by law, related to the internal needs of the expropriating Party, on a basis of non-discrimination and against prompt, adequate and effective compensation. Such compensation shall amount to the market value of the investment expropriated immediately before the expropriation or impending expropriation became public knowledge, shall be made without delay and shall include interest at a normal rate until the date of payment, be effectively realisable in convertible currency and be freely transferable. There shall be legal provision giving an investor concerned a right to prompt review of the legality of the measure taken against the investment and of their valuation in accordance with the principles set out in this paragraph by due process of law in the territory of the Contracting Party making the expropriation.

## **Article 6. Compensation for Losses**

Investors of one Contracting Party whose investments in the territory of the other Contracting Party suffer losses owing to war or other armed conflict, revolution, a state of national emergency, revolt, insurrection, riot in the territory of the latter Contracting Party, shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation or other settlement, no less favourable than that which the latter Contracting Party accords to its own investors or to investors of any third State whichever of these standards is the more favourable from the point of view of the investor. Payments resulting from any provision in this Article shall be freely transferable, made without delay and shall include interest at a normal rate until the day of payment and be effectively realisable in convertible currency.

## **Article 7. Repatriation and Transfer of Capital and Returns**

(1) Each Contracting Party shall without delay allow the transfer of:

(a) the invested capital or the proceeds of total or partial liquidation or alienation of the investment;

(b) the returns realized;

(c) the payments made for the reimbursement of the credits for investments and interests due;

(d) an approved portion of the earnings of the non-nationals who are allowed to work on an investment made by an investor of one Contracting Party in the territory of the other Contracting Party.

(2) Transfers of currency pursuant to Article 5, 6 and section (1) of this Article shall be made in the convertible currency in which the investment has been made or in any convertible currency if so agreed by the investor, at the official rate of exchange in force at the date of transfer.

## **Article 8. Subrogation**

If one Contracting Party or its designated agency makes payment to its own investors under a guarantee it has accorded in respect of an investment in the territory of the other Contracting Party, the latter Contracting Party shall recognize:

(a) the assignment, whether under the law or pursuant to a legal transaction in that country, of any right or claim by the investor to the former Contracting Party, as well as

(b) that the former Contracting Party is entitled by virtue of subrogation to exercise the rights and enforce the claims of that investor and shall assume the obligations related to the investment.

## **Article 9. Disputes between a Contracting Party and an Investor**

(1) Any dispute which may arise between an investor of one Contracting Party and the other Contracting Party in connection with an investment on the territory of that other Contracting Party shall be subject to negotiations between the parties in dispute.

(2) If any dispute between an investor of one Contracting Party and the other Contracting Party continues to exist after a period of three months, the investor shall be entitled to submit the case either to:

(a) the International Centre for Settlement of Investment Disputes having regard to the applicable provisions of the Convention on the Settlement of Investment Disputes between States and Nationals of other States opened for signature at Washington D.C. on 18 March 1965, in the event both Contracting Parties shall have become a party to this Convention; or

(b) an arbitrator or international ad hoc arbitral tribunal established under the Arbitration Rules of the United Nations Commission on International Trade Law. The parties to the dispute may agree in writing to modify these Rules. The arbitral awards shall be final and binding on both Parties to the dispute.

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

(1) Disputes between the Contracting Parties concerning the interpretation and application of this Agreement should, as far as possible, be settled through negotiations between the Contracting Parties.

(2) If such a dispute cannot be settled within three months from the beginning of negotiation, it shall upon the request of either Contracting Party, be submitted to an arbitral tribunal.

(3) Such an arbitral tribunal shall be constituted for each individual case in the following way:

Within three months of the receipt of the request for arbitration, each Contracting Party shall appoint one member of the tribunal. Those two members shall then select a national of a third State, who on approval by the Contracting Parties shall be appointed Chairman of the tribunal. The Chairman shall be appointed within three months from the date of appointment of the other two members.

(4) If within any of the periods specified the necessary appointments have not been made, either Contracting Party may, in the absence of any other agreement, invite the President of the International Court of Justice to make any necessary appointments. If the President is a national of either Contracting Party or if he is otherwise prevented from discharging the said function, the Vice-President shall be invited to make the necessary appointments. If the Vice-President is a national of either Contracting Party or if he, too, is prevented from discharging the said function, the Member of the International Court of Justice next in seniority who is not a national of either Contracting Party shall be invited to make the necessary appointments.

(5) The arbitral tribunal shall apply the provisions of this Agreement, other Agreements concluded between the Contracting Parties, and the procedural standards called for by international law. It shall reach its decision by a majority of votes. Such decision shall be final and binding on both Contracting Parties. The arbitral tribunal determines its own procedure.

(6) Each Contracting Party shall bear the cost of its own member of the tribunal 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.

## **Article 11. Amendments**

At the time on entry into force of this Agreement or at any time thereafter the provisions of this Agreement may be amended in such manner as may be agreed between the Contracting Parties. Such amendments shall enter into force when the Contracting Parties have notified each other that the constitutional requirements for the entry into force have been fulfilled.

## **Article 12. Consultations**

Either Contracting Party may propose the other Party to consult on any matter affecting the application of the present Agreement. These consultations shall be held on the proposal of one of the Contracting Parties at a place and at a time agreed upon through diplomatic channels.

## **Article 13. Applicability of this Agreement**

The provisions of this Agreement shall apply to investments made by investors of one Contracting Party in the territory of the other Contracting Party after January 1, 1950.

## **Article 14. Territorial Extension**

At the time of entry into force of this Agreement, or at any time thereafter, the provisions of this Agreement may be extended to the Faroe Islands and Greenland as may be agreed between the Contracting Parties in an Exchange of Notes.

## **Article 15. Entry Into Force**

This Agreement shall enter into force thirty days after the date of the exchange of diplomatic notes confirming that the constitutional requirements for the entry into force of this Agreement have been fulfilled.

## **Article 16. Duration and Termination**

(1) This Agreement shall remain in force for a period of ten years and shall continue in force thereafter unless, after the expiry of the initial period of ten years, either Contracting Party notifies in writing the other Contracting Party of its intention to terminate this Agreement. The notice of termination shall become effective one year after it has been received by the other Contracting Party.

(2) In respect of investments made prior to the date when the notice of termination of this Agreement becomes effective, the provisions of Articles 1 to 10 shall remain in force for a further period of ten years from that date.

In witness whereof the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

Done in duplicate at Prague this 6th day of March 1991, in the Czech, Danish and English Languages, all texts being equally authentic.

In the case of divergence of interpretation, the English text shall prevail.

For the Czech and Slovak Federal Republic:

Jiří Dienstbier v. r.

Deputy Prime Minister of the Czechoslovak Socialist Republic and Minister of Foreign Affairs

For the Kingdom of Denmark:

Uffe Ellemann-Jensen v. r.

Minister of Foreign Affairs of the Kingdom of Denmark