

Agreement between the Government of the Kingdom of Sweden and the Government of the Russian Federation on the Promotion and Reciprocal Protection of Investments

The Government of the Kingdom of Sweden and the Government of the Russian Federation, hereinafter referred to as the "Contracting Parties",

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

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 mean any kind of asset, invested by an investor of one Contracting Party in the territory of the other Contracting Party in accordance with its legislation, and shall include in particular, though not exclusively:

- (a) Movable and immovable property, related property rights, as well as leases;
- (b) Shares, stocks, bonds and other forms of participation in a company or enterprise;
- (c) Claims to money or to any performance under contract having an economic value;
- (d) Intellectual property rights, as well as technology, know-how and goodwill;
- (e) Rights, conferred by law or under contract to undertake economic activity, including rights to search for, extract or exploit natural resources.

The term "investment" shall also mean an investment made by an investor of one Contracting Party in the territory of the other Contracting Party indirectly through a legal person of a third State.

A change in the form in which assets are invested does not affect their character as investment.

(2) The term "investor" shall mean:

- (a) Any natural person who is a citizen of a Contracting Party in accordance with its laws;
- (b) Any legal person constituted in accordance with the legislation of a Contracting Party.

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

(4) The term "territory" shall mean the territory of the Kingdom of Sweden or the territory of the Russian Federation, as well as those maritime areas, such as an exclusive economic zone and a continental shelf, adjacent to the outer limit of the territorial sea of the respective State, over which it exercises, in accordance with international law, sovereign rights and jurisdiction for the purpose of exploration, exploitation and conservation of natural resources.

Article 2. Promotion and Reciprocal Protection of Investments

(1) Each Contracting Party will promote in its territory investments by investors of the other Contracting Party and shall admit such investments in accordance with its legislation.

(2) The investments made by investors of one Contracting Party in the territory of the other Contracting Party enjoy full protection in accordance with the provisions of this Agreement.

(3) Each Contracting Party shall, subject to its laws and regulations relating to the entry and sojourn of aliens, permit foreigners, working in connection with an investment made by an investor of the other Contracting Party, as well as members of their families, to enter into, remain on and leave its territory.

Article 3. Treatment of Investments

(1) Each Contracting Party shall at all times ensure in its territory fair and equitable treatment of the investments made by investors of the other Contracting Party and shall not impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment or disposal of such investments.

(2) The treatment referred to in Paragraph (1) of this Article shall not be less favourable than that which is accorded by the Contracting Party to investments, and to any activity associated with investments, by its own investors or by investors of any third State, whichever treatment is more favourable.

(3) Each Contracting Party may have in its legislation limited exceptions to national treatment provided for in Paragraph (2) of this Article. Any new exception will not apply to investments made in its territory by investors of the other Contracting Party before the entry into force of such an exception, except when the exception is necessitated for the purpose of the maintenance of defence, national security and public order, protection of the environment, morality and public health.

(4) The provisions of Paragraph (2) of this Article relating to the most-favoured-nation treatment shall not be construed so as to oblige a Contracting Party to extend to the investors of the other Contracting Party preferences or privileges resulting from:

(a) Participation in a free trade area, a customs or economic union; or

(b) The agreements in the field of economic cooperation of the Russian Federation with the States that constituted the former Union of Soviet Socialist Republics.

Article 4. Expropriation

(1) Neither Contracting Party shall expropriate or nationalize investments made by investors of the other Contracting Party or take any other measure having effect equivalent to expropriation or nationalization (hereinafter referred to as "expropriation"), except where the expropriation is:

(a) In the public interest;

(b) Not discriminatory;

(c) Carried out under, due process of law; and

(d) Accompanied by the payment of prompt, adequate and effective compensation.

Such compensation shall include interest from the date of expropriation up to the date of payment in accordance with the interest rates applicable in the territory of the expropriating Contracting Party.

(2) The provisions of Paragraph (1) of this Article shall also apply to returns.

Article 5. Compensation for Losses

Investors of either Contracting Party whose investments suffer losses in the territory of the other Contracting Party due to war, other armed conflict, a state of national emergency or other similar circumstances shall be accorded by the latter Contracting Party treatment, with respect to restitution, indemnification, compensation or other settlement, no less favourable than that which it accords to its own investors or to investors of any third State.

Article 6. Transfer of Payments Related to Investments

(1) Each Contracting Party shall allow the free transfer of payments related to investments made by investors of the other Contracting Party, and in particular of:

(a) The returns;

- (b) The proceeds from the sale or liquidation of all or any part of an investment;
- (c) Funds in repayment of loans;
- (d) Compensation pursuant to Articles 4 and 5 of this Agreement;Articles 4 and 5 of this Agreement;
- (e) Unspent earnings and other remuneration of personnel engaged from abroad in connection with an investment.

(2) Transfers of payments shall be made without delay in a freely convertible currency and at the market rate of exchange applicable on the date of transfer pursuant to the exchange regulations in force of the Contracting Party in whose territory the investment was made.

Article 7. Subrogation

If a Contracting Party or its designated organ makes a payment to any of its investors under a guarantee granted in respect of an investment in the territory of the other Contracting Party, the latter Contracting Party shall recognize the transfer of all rights of such an investor to the former Contracting Party or its designated organ.

Article 8. Disputes between an Investor and a Contracting Party

(1) Disputes between an investor of one Contracting Party and the other Contracting Party concerning an investment in its territory, shall if possible, be settled amicably.

(2) If the dispute cannot thus be settled within a period of six months from the date of written notification of the claim, it shall at the request of the investor be submitted to an ad hoc arbitral tribunal established under the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL).

The decision of the arbitral tribunal shall be final and binding on the parties to the dispute.

Article 9. Disputes between the Contracting Parties

(1) Disputes between the Contracting Parties concerning the interpretation or application of this Agreement shall, if possible, be settled amicably.

(2) If a dispute cannot thus be settled within six months, following the date on which either Contracting Party has notified in writing the other Contracting Party about the dispute, it shall at the request of either Contracting Party be submitted to an arbitral tribunal.

(3) The arbitral tribunal shall be set up from case to case. Each Contracting Party shall appoint one member of the arbitral tribunal. These two members shall then select a national of a third State, who on approval by the Contracting Parties shall be appointed chairman of the arbitral tribunal. The members of the tribunal shall be appointed within two months, and the chairman within four months, from the date when one of the Contracting Parties declared its intention to submit the dispute to an arbitral tribunal.

(4) If the time limits referred to in Paragraph (3) of this Article have not been complied with, either Contracting Party may, in the absence of other arrangement, invite the President of the International Court of Justice to make the 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 of the International Court of Justice shall be invited to make the necessary appointments. If the Vice-President is a national of either Contracting Party or if he, too, is otherwise 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 reach its decision by a majority of votes. Such decisions shall be final and binding on both Contracting Parties. Each Contracting Party shall bear the cost of the member appointed by that Contracting Party as well as the costs for its representation in the arbitration proceedings; the cost of the chairman as well as other costs shall be borne in equal parts by the two Contracting Parties. The arbitral tribunal may, however, in its decision direct that a higher proportion of costs shall be borne by one of the Contracting Parties.

In all other respects, the procedure of this arbitral tribunal shall be determined by the tribunal itself.

Article 10. National Legislation and other International Agreements

This Agreement shall not restrict the rights and benefits accorded in respect of the investments of investors of a Contracting Party on the basis of the national legislation of the other Contracting Party or of other international agreements to which both Contracting Parties are parties.

Article 11. Scope of Application of the Agreement

(1) 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 1 January 1963.

(2) The provisions of this Agreement shall not apply to taxation matters, except as follows:

Article 4, 6, 8 and 9 may apply to taxes imposed by a Contracting Party but only if such taxes have an effect (equivalent to expropriation).

Article 12. Entry Into Force, Duration and Termination

(1) The Contracting Parties shall notify each other in writing of the completion of internal procedures required for the entry into force of this Agreement. This Agreement shall enter into force on the date of the receipt of the latter of the two notifications.

(2) This Agreement shall remain in force for a period of twenty years. Thereafter it shall remain in force until the expiration of twelve months from the date when either Contracting Party in writing notifies the other Contracting Party of its decision to terminate this Agreement.

(3) 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 11 of this Agreement shall remain in force for a further period of twenty years from that date.

For the Government of Kingdom of the Sweden

For the Government of the Russian Federation