AGREEMENT BETWEEN THE GOVERNMENT OF THE FRENCH REPUBLIC AND THE GOVERNMENT OF THE REPUBLIC OF CROATIA ON THE RECIPROCAL ENCOURAGEMENT AND PROTECTION OF INVESTMENTS

The Government of the Republic of France and the Government of the Republic of Croatia, hereinafter referred to as "the Contracting Parties"

Desiring to strengthen economic cooperation between the two countries and to create favorable conditions for French investment in Croatia and Croatian investment in France

Convinced that the encouragement and protection of such investments are likely to stimulate the transfer of capital and technology between the two countries, in the interest of their economic development

Have agreed on the following provisions:

Article 1.

For the purposes of this Agreement:

1. The term "investment" means all assets, such as property, rights and interests of any kind, invested by an investor of a Contracting Party in the territory or maritime area of the other Contracting Party in accordance with the legislation of the latter, and includes more particularly but not exclusively:

(a) movable and immovable property, as well as any other real rights such as mortgages, liens, usufructs, bonds and any similar rights ;

b) Shares, share premiums and other forms of participation, even if minority or indirect, in companies incorporated in the territory of one of the contracting parties;

c) Bonds, debts and rights to any benefits of economic value;

d) Intellectual, commercial and industrial property rights, such as copyrights, patents, licenses, trademarks, industrial models and designs, technical processes, know-how, registered names and goodwill;

(e) concessions granted by law or under contract, including concessions for the exploration, cultivation, extraction or exploitation of natural resources, including those located in the maritime zone of the Contracting Parties.

The provisions of this Agreement shall be applicable to all investments of investors of a Contracting Party in the territory or maritime zone of the other Contracting Party made both before and after its entry into force.

Any change in the form of investment of assets shall not affect their qualification as investments, provided that such change is not contrary to the legislation of the Contracting Party in whose territory or maritime zone the investment is made.

2. The term "investors" means :

- natural persons possessing the nationality of one of the Contracting Parties;

- any legal entity incorporated in the territory of one of the Contracting Parties, in accordance with the legislation of that Party and having its registered office there, or controlled directly or indirectly by nationals of one of the Contracting Parties, or by legal entities having their registered office in the territory of one of the Contracting Parties and incorporated in accordance with the legislation of that Party.

3. The term "income" means all sums produced by an investment, such as profits, royalties or interest, during a given period.

Income from the investment and, in the case of reinvestment, income from reinvestment shall enjoy the same protection as the investment.

4. This Agreement shall apply to the territory of each of the Contracting Parties and to the maritime area of each of the Contracting Parties, hereinafter defined as the marine and submarine areas, including the seabed and subsoil, which extend beyond the limits of the territorial waters of each of the Contracting Parties and over which they have, in accordance with international law, sovereign rights and jurisdiction for the purpose of exploring, exploiting and preserving natural resources.

Article 2.

Each of the Contracting Parties shall admit and encourage in its territory and in its maritime zone, within the framework of its legislation and the provisions of this Agreement, investments by investors of the other Contracting Party.

Article 3.

1. Each Contracting Party undertakes to ensure fair and equitable treatment, in accordance with the principles of international law, of investments of investors of the other Contracting Party in its territory and maritime area, and to ensure that the exercise of the right so recognized is not hindered in law or in fact. In particular, although not exclusively, any restriction on the purchase and transportation of raw and auxiliary materials, energy and fuels, and means of production and operation of any kind, any impediment to the sale and transportation of products within the country and abroad, and any other measures having a similar effect, shall be considered as impediments in law or in fact to fair and equitable treatment.

2. Within the framework of their domestic legislation, the Contracting Parties shall give sympathetic consideration to applications for entry and authorization to stay, work and travel made by nationals of a Contracting Party in connection with an investment of an investor of that Contracting Party in the territory or maritime area of the other Contracting Party.

Article 4.

1. Each Contracting Party shall apply to investors of the other Contracting Party, in its territory and maritime zone, in respect of their investments and activities related to such investments, treatment no less favourable than that accorded to its investors, or the treatment accorded to investors of the most favoured nation, whichever is more favourable. In this connection, nationals authorized to work in the territory and maritime area of one of the Contracting Parties shall be afforded appropriate material facilities for the exercise of their professional activities.

2. This treatment shall not, however, extend to the privileges which a Contracting Party grants to investors from a third State by virtue of its participation in or association with a free trade area, a customs union, a common market or any other form of regional economic organization.

3. The provisions of this Article shall not apply to tax matters.

Article 5.

1. Investments of investors of a Contracting Party shall enjoy full protection and security in the territory and maritime area of the other Contracting Party.

2. The Contracting Parties shall not take measures of expropriation or nationalization or any other measures the effect of which is to dispossess, directly or indirectly, the investors of the other Contracting Party of the investments belonging to them in their territory and in their maritime zone, except in the public interest and provided that such measures are not discriminatory or contrary to any particular undertaking.

Any measures of dispossession which may be taken must give rise to the payment of prompt and adequate compensation, the amount of which, equal to the real value of the investments concerned, must be assessed in relation to a normal economic situation prior to any threat of dispossession.

This indemnity, its amount and the terms of payment shall be fixed at the latest on the date of the dispossession. This compensation is effectively realizable, paid without delay and freely transferable. It shall bear interest until the date of payment at the appropriate market rate of interest.

3. Investors of one of the contracting parties whose investments have suffered losses due to war or any other armed conflict, revolution, state of national emergency or revolt, occurring in the territory or maritime area of the other contracting

party, shall receive from the latter treatment no less favourable than that accorded to its own investors or those of the most favoured nation.

Article 6.

Each Contracting Party, in the territory or maritime area of which investments have been made by investors of the other Contracting Party, shall guarantee to such investors the free transfer of :

(a) interest, dividends, profits and other current income :

(b) royalties arising from intangible rights designated in paragraph 1, letters d and e, of Article 1.

c) Payments made for the repayment of loans regularly contracted;

d) Proceeds from the sale or liquidation of the investment, in whole or in part, including capital gains on the investment;

e) The compensation for loss or dispossession provided for in Article 5, paragraphs 2 and 3 above.

The natural persons of each of the Contracting Parties who have been authorized to work in the territory or maritime zone of the other Contracting Party, in connection with an approved investment, shall also be authorized to transfer to their country of origin an appropriate portion of their remuneration.

The transfers referred to in the preceding paragraphs shall be made without delay at the normal rate of exchange officially applicable on the date of the transfer.

Article 7.

1. Insofar as the regulations of one of the Contracting Parties provide for a guarantee for investments made abroad, such guarantee may be granted to investments of investors of that Contracting Party in the territory or maritime area of the other Contracting Party.

2. Investments of investors of one of the Contracting Parties in the territory or maritime area of the other Contracting Party may only obtain the guarantee referred to in the above paragraph if they have first obtained the approval of the latter Party.

3. If one of the Contracting Parties, by virtue of a guarantee given for an investment made in the territory or maritime area of the other Contracting Party, makes payments to its own investors, it is thereby subrogated to the rights and actions of the said investors.

4. Such payments shall not affect the rights of the beneficiary of the guarantee to have recourse to ICSID or to ad hoc arbitration by the United Nations Commission on International Trade Law (UNCITRAL) or to pursue actions brought before them until the proceedings have been completed.

Article 8.

Investments of investors of a contracting Party which have been the subject of a special undertaking by the other contracting Party shall, without prejudice to the provisions of this Agreement, be governed by the terms of that undertaking insofar as it contains provisions more favourable than those contained in this Agreement.

Article 9.

Any investment dispute between one of the contracting parties and an investor of the other contracting party shall be settled amicably between the two parties concerned.

If such a dispute has not been settled within six months from the time it was raised by one of the parties to the dispute, it shall be submitted, at the request of the investor, to arbitration :

- either to the International Centre for Settlement of Investment Disputes (ICSID) created by the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, signed in Washington on 18 March 1965 ;

- or to the ad hoc arbitral tribunal established in accordance with the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL).

Article 10.

1. Disputes concerning the interpretation or application of this Agreement shall be settled, if possible, through diplomatic channels.

2. If the dispute is not settled within six months from the time when it was raised by either Contracting Party, it shall be submitted, at the request of either Contracting Party, to an arbitration tribunal.

3. The said tribunal shall be constituted for each particular case in the following manner: each Contracting Party shall appoint one member, and the two members shall appoint, by mutual agreement, a national of a third State having diplomatic relations with both Contracting Parties, who shall be appointed President of the tribunal by both Contracting Parties. All members shall be appointed within two months of the date on which one Contracting Party has notified the other Contracting Party of its intention to submit the dispute to arbitration.

4. If the time limits laid down in paragraph 3 above have not been observed, either Contracting Party shall, in the absence of any other agreement, invite the Secretary-General of the United Nations to make the necessary appointments. If the Secretary-General is a national of either Contracting Party or is otherwise unable to serve, the most senior Deputy Secretary-General who is not a national of either Contracting Party shall make the necessary appointments.

5. The arbitration tribunal shall take its decisions by a majority vote. Such decisions shall be final and binding on the Contracting Parties.

The tribunal shall determine its own rules. It shall interpret the award at the request of either Contracting Party. Unless the Tribunal decides otherwise, taking into account particular circumstances, the costs of the arbitration proceedings, including the fees of the arbitrators, shall be shared equally between the Contracting Parties.

Article 11.

Each of the Contracting Parties shall notify the other of the completion of the legal or constitutional procedures required for the entry into force of this Agreement, which shall take effect one month after the date of receipt of the last notification.

The Agreement is concluded for an initial period of ten years. It shall remain in force after that term unless either Contracting Party gives notice in writing through diplomatic channels to the other Contracting Party of its intention to terminate it. In this case, this Agreement shall be terminated one year after the date of receipt of the written notification of termination.

Investments made before the date of termination of the Agreement shall continue to enjoy the protection of its provisions for a further period of twenty years after the date of termination of the Agreement.

Done at Zagreb on 3 June 1996 in two originals, each in the French and Croatian languages, both texts being equally authentic.

For the Government of the French Republic :

Yves Galland

Minister Delegate for Finance and Foreign Trade

For the Government of the of the Republic of Croatia :

Davor Stern

Minister of Economy