

Agreement between the Government of the Republic of Latvia and the Government of the Republic of Estonia for the Promotion and Reciprocal Protection of Investment

The Government of the Republic of Estonia and the Government of the Republic of Latvia (hereinafter referred to as the "Contracting Parties")

Desiring to deepen economic cooperation for the mutual benefit of both countries;

Intending to create and maintain favorable conditions for investments of one Contracting Party's investors in the territory of the other Contracting Party;

Aware that the promotion and reciprocal protection of investments under this Agreement will stimulate business initiatives in this area, and, furthermore, fosters economic cooperation and integration between the Baltic States;

Agreed on the following:

Article 1. Definitions

For the purposes of this Agreement:

1. The term "investment" includes all types of property that one Contracting Party has invested in the territory of the other Contracting Party in the course of an economic activity in accordance with its laws, including but not limited to:

- (a) Movable and immovable property as well as all other rights in rem such as mortgages, pledges, warranties and other similar rights;
- (b) Shares in companies, bonds or other forms of participation in companies;
- (c) Claims for money or investment-related activities of any economic value;
- (d) Intellectual property rights, including copyrights, trademarks, patents, industrial designs, technical processes, know-how, trade secrets, trade names and company business value related to investments;
- (e) All rights granted by law or by agreement, and all legal licenses and permissions, including concessions for the exploration, extraction, cultivation and use of natural resources.

The change in the form of investing in proprietary values should not affect the nature of these investments.

2. The term "investor" means any natural or legal person who invests in the territory of the other Contracting Party:

- (a) The term "natural person" means any natural person who has the nationality of one or the other contracting party in accordance with its laws;
- (b) The term "legal entity" means, for each party, any entity incorporated or incorporated in accordance with its laws.

3. The term "income" means amounts received from an investment and includes, but are not limited to, profits, interest, capital gains, dividends, royalties or fees.

4. The term "territory" means the territory of either Contracting Party, including both the territorial sea and any maritime area beyond it, in which the contracting party, in accordance with international law, exercises its sovereign rights over the seabed and subsoil and the natural resources of these areas.

Article 2. Promotion and Protection of Investments

1. Each Contracting Party shall promote investment in the territory of the other Contracting Party by investors, provide them with favorable conditions and permit such investments in accordance with their laws.
2. Investments of investors of either Contracting Party shall be accorded fair and equal treatment at all times in the territory of the other Contracting Party, and shall be guaranteed full protection and security.

Article 3. Private Treatment and Most-favored-nation Treatment

1. Each Contracting Party shall allow in its territory investors and investors of the other Contracting Party fair and equal treatment which is at least as favorable as that accorded to the investments and revenues of its own investors or to the treatment of investments and revenues of any third-country investor, whichever is the more favorable.
2. Each Contracting Party shall allow, in its territory, investors of the other Contracting Party, in the management, maintenance, use, acquisition, or disposal of their investments, receive at least as favorable treatment as investments and revenues of their own investors or the treatment afforded to investments and income of investors of any third country, whichever of these is more favorable.
3. The provisions of paragraphs 1 and 2 of this article shall not be construed as obliging one of the contracting parties to extend to the investors of the other contracting party benefits which result from the treatment, preference or privilege which the first contracting party may provide, based on:
 - (a) Any customs union, free trade area, monetary union or some other similar international agreement establishing such associations or institutions, or any other form of regional cooperation to which either of the Contracting Parties is or may become a member;
 - (b) Any exclusively or substantially international agreement on taxation.

Article 4. Compensation for Damages

1. Investors of one Contracting Party whose investments have suffered losses due to war, armed conflict, state of emergency, uprising, rebellion, or other similar events in the territory of the other Contracting Party shall allow the other party to be repaid, reimbursed, compensated or treated in other ways which is at least as favorable as that afforded by a contracting party to its investors or investors in any third country. The corresponding payments must be free of charge without delay and without delay in freely convertible currencies.
2. Without prejudice to paragraph 1 of this Article, investors of one Contracting Party who, due to any of the situations referred to in that paragraph, are suffering damage as a result of:
 - (a) Requisitioning of their property by the forces or authorities of that Contracting Party;
 - (b) The destruction by the forces or authorities of that Contracting Party of property not caused by a battle or caused by a need for a situation, a restitution or a fair and adequate compensation during the time of requisition or damage caused as a result of the destruction of property. The corresponding payments must be free of charge without delay and without delay in freely convertible currencies.

Article 5. Expropriation

1. Investments of investors of either Contracting Party shall not be nationalized, expropriated or applied in the territory of the other Contracting Party by other measures equivalent to their nationalization or expropriation (hereinafter referred to as expropriation), with the exception of national interests. Expropriation must be based on law and non-discrimination, and must be accompanied by prompt, adequate and effective compensation. Such compensation must correspond to the market value of the expropriated investment immediately prior to expropriation or the public disclosure of any forthcoming expropriation, whichever is the earlier, must, from the date of expropriation, include, in the ordinary course of trade interest.
2. The injured investor has the right, under the laws of the contracting party conducting the expropriation, to promptly review his case and evaluate the investment in accordance with the principles set out in this article by the court or other independent authority of that Contracting Party.
3. If one contracting party expropriates assets from a company incorporated or constituted in accordance with the laws in force in its territory and in which the investors of the other contracting party hold shares, it must ensure that the provisions of this article are applied to the extent necessary to guarantee immediate, adequate and effective compensation for

investments investors of the other Contracting Party who are the holders of their shares.

Article 6. Transfers

1. Each Contracting Party shall ensure the transfer of contributions from the other Party to investment and income. Transfers are made in freely convertible currency without any restrictions or delays. Such transfers include, but are not limited to:

- (a) Principal and additional amounts to maintain or increase the investment;
- (b) Profits, interest, dividends and other current income;
- (c) Loan repayment funds;
- (d) Royalties or fees;
- (e) The proceeds of the sale or liquidation of the investment;
- (f) The salaries of natural persons employed in the territory of the contracting party.

2. For the purposes of this Agreement, the exchange rate at the date of the transfer is the commercial rate applicable to current transactions, unless agreed otherwise.

Article 7. Designation

1. If one of the contracting parties or a body designated by it makes payments to its investors on the basis of a guarantee granted in respect of an investment made in the territory of the other contracting party, the latter shall:

- a) Transfer all rights or claims of the investor to the first contracting party or the body designated by it pursuant to law or legal transaction in that country;
- b) Also, that the first-mentioned Contracting Party or the body designated by it, is entitled, through replacement, to use the rights of that investor and to exercise his rights of claim and to assume his obligations in relation to the investment.

2. The transferred rights or claims shall not exceed the investor's original rights or claims.

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

1. Any dispute which may arise between an investor of one Contracting Party and the other Contracting Party in connection with an investment in the territory of that other Contracting Party shall be settled by negotiation between the Parties.

2. If the dispute between an investor of one of the Contracting Parties and the other Contracting Party can not be resolved in this way for a period of six months, the investor may submit a dispute to:

- (a) The International Center for the Settlement of Investment Disputes (ICSID), taking into account Washington on March 18, 1965; the provisions of the "Convention on Settlement of Investment Disputes between States and Other Citizens" opened for signature if both Parties are Parties to this Convention; or
- (b) An arbitrator or an international ad hoc arbitration panel established under the rules of the United Nations Commission on International Trade Law (UNCITRAL). The parties to the dispute may agree in writing to amend these rules. The arbitral awards are final and binding on both sides of the dispute.

Article 9. Settlement of Disputes between the Parties

1. Disputes between the Parties regarding the interpretation or application of this Agreement shall be resolved amicably through diplomatic channels.

2. If the dispute can not be resolved in this way within a period of six months, it shall be submitted to arbitration in accordance with the provisions of this article.

3. The arbitration panel shall be formed on a case-by-case basis in the following manner. Each Contracting Party shall appoint one arbitrator within two months after the receipt of the request for arbitration. These two members will then be

chosen by a third-country national who, upon approval by both parties, will be appointed chairman of the tribunal (hereinafter referred to as the chairman). The chair shall be appointed within three months from the date of the appointment of the other two members.

4. If, within the period referred to in paragraph 3 of this article, the necessary appointments have not been made, appointments may be requested to the President of the International Court of Justice. If he happens to be a national of one of the Contracting Parties or if, for any other reason, he is unable to perform this function, the appointments are requested to be made by the Vice-President of the International Court of Justice. If the Vice President also happens to be a national of either Contracting Party or can not fulfill these functions, the appointment of a Member from the International Court of Justice to the next Member who is not a national of either Contracting Party shall be invited.

5. The arbitral tribunal shall decide by a majority. Such a decision is binding. Each Contracting Party shall bear the costs of its arbitrator and its representation expenses in the arbitration proceedings; the expenses of the chairman and the remaining costs shall be borne equally between the two parties. However, an arbitral tribunal may decide that one of the two parties must bear the bulk of the costs and such a decision is binding on both parties. The arbitral tribunal will determine its own rules of procedure.

Article 10. Compliance with other Rules and Specific Obligations

1. If a particular issue is simultaneously governed by this Agreement and by any other international agreement to which both parties are party, nothing in this Agreement shall prevent either party or any investor thereof having investments in the territory of the other Contracting Party from prevailing in the more favorable terms in this case.

2. If the treatment which one contracting party would have to provide to investors of the other contracting party is, in accordance with its laws or the specific provisions of other agreements, more favorable than the provisions of this agreement, then more favorable treatment shall be applied.

Article 11. Validity of this Agreement

This Agreement applies to investments made in the territory of one of the Contracting Parties in accordance with its laws by the investors of the other Contracting Party both before and after the entry into force of this Agreement but not applicable to any dispute arising prior to the entry into force of this Agreement or to any claim for damages settled prior to its entry into force.

Article 12. Entry Into Force, Duration and Termination

1. Each Party shall, in writing, notify the other Contracting Party of the completion of the procedures required by national law for the entry into force of this Agreement.

2. This Agreement shall remain in force for a period of 10 years and shall continue to apply for a period of ten years unless one of the Contracting Parties notifies the other Contracting Party in writing of its intention to terminate the Agreement one year before the expiration of the first or any subsequent period.

3. Investments made prior to the termination of this Agreement shall be subject to the provisions of this Agreement for a period of 10 years from the date of expiry.

The undersigned, duly authorized by this Agreement, have signed this Agreement.

Done in duplicate in Vilnius, this 7 day of February 1996, in the Estonian, Latvian and English languages, all texts being equally authentic. In the case of discrepancies, the English text prevails.

For the Government of the Republic of Latvia

For the Government of the Republic of Estonia