

AGREEMENT BETWEEN THE GOVERNMENT OF THE ITALIAN REPUBLIC AND THE GOVERNMENT OF THE REPUBLIC OF LITHUANIA ON THE PROMOTION AND PROTECTION OF INVESTMENTS

The Government of the Italian Republic and the Government of the Republic of Lithuania (hereafter referred to as the Contracting Parties),

Desiring to establish favourable conditions for improved economic cooperation between the two Countries, and especially in relation to capital investment by investors of one Contracting Party in the territory of the other Contracting Party; and

Acknowledging that offering encouragement and mutual protection to such investment, based on international Agreements, will contribute to stimulating business ventures, which foster the prosperity of both Contracting Parties,

Hereby agree as follows:

Article 1. Definitions

For the purposes of this Agreement:

1. The term "investment" shall be construed to mean any kind of property invested, before or after the entry into force of this Agreement, by a natural or legal person of a Contracting Party in the territory of the other Contracting Party, in conformity with the laws and regulations of that Party, irrespective of the legal form chosen, as well as of the legal framework.

Without limiting the generality of the foregoing, the term "investment" comprises in particular, but not exclusively:

- a) Movable and immovable property and any ownership right in rem, including real guarantee rights on property of a Third Party, to the extent that it can be invested; in rem, including real guarantee rights on property of a Third Party, to the extent that it can be invested;
- b) Shares, debentures, equity holdings and any instruments of credit, as well as Government and public securities in general;
- c) Credits for sums of money or any financial service right having an economic value connected with an investment, as well as reinvested income and capital gains;
- d) Copyright, commercial trade marks, patents, industrial designs and other intellectual and industrial property rights, know-how, trade secrets, trade names and goodwill;
- e) Any economic rights accruing by law or by contract and any licence and franchise granted in accordance with the provisions in force on economic activities, including the right to prospect for, extract and exploit natural resources.
- f) Any increase in value of the original investment.

Any modification in the form of the investment does not imply a change in the nature thereof.

2. The term "investor" shall be construed to mean any natural or legal person of a Contracting Party investing in the territory of the other Contracting Party as well as the foreign subsidiaries and affiliates and branches somehow controlled by the above natural and legal persons.

3. The term "natural person", in reference to either Contracting Party, shall be construed to mean any natural person holding the nationality of that State in accordance with its laws.

4. The term "legal person", in reference to either Contracting Party, shall be construed to mean any entity having its head

office in the territory of one of the Contracting Parties and recognised by it, such as public institutions, corporations, partnerships, foundations and associations, regardless of whether their liability is limited or otherwise.

5. The term "income" shall be construed to mean the money accruing to an investment, including in particular profits or interests, interest income, capital gains, dividends, royalties or payments for assistance, technical services and others as well as any considerations in kind.

6. The term "territory" shall be construed to mean, in addition to the zones contained within the land boundaries, the "maritime zones". The latter also comprises the marine and submarine zones over which the Contracting Parties exercise sovereignty, and sovereign or jurisdictional rights, under international law.

7. "Investment Agreement" means an arrangement between agencies or instrumentalities of a Contracting Party and an investor of the other Contracting Party concerning an investment.

8 "Nondiscriminatory treatment" of an investor means treatment that is at least as favourable as the best of national treatment or most-favoured-nation treatment.

9. "Right of access" means the right to be admitted to carry out investments in the territory of the other Contracting Party, according to the national legislation of this Contracting Party.

Article 2. Promotion and Protection of Investments

1. Both Contracting Parties shall encourage investors of the other Contracting Party to invest in their territory.

2. Both Contracting Parties shall at all times ensure just and fair treatment of the investments of investors of the other Contracting Party. Both Contracting Parties shall ensure that the management, maintenance, use, transformation, enjoyment or assignment of the investments effected in their territory by investors of the other Contracting Party, as well as companies and enterprises in which these investments have been effected, shall in no way be subject to unjustified or discriminatory measures.

3. Each Contracting Party shall maintain in its territory a legal framework apt to guarantee to investors the continuity of legal treatment, including the compliance, in good faith, of all undertakings assumed with regard to each specific investor.

Article 3. National Treatment and the Most Favoured Nation Clause

1. Both Contracting Parties, within the bounds of their own territory, shall offer investments effected by, and the income accruing to, investors of the other Contracting Party no less favourable treatment than that accorded to investments effected by, and income accruing to, its own nationals or investors of Third States.

2. Should a more favourable treatment than the one foreseen in this Agreement be introduced by internal laws or international obligations, this treatment will apply to investors of the relevant Contracting Party also for the outstanding relations.

3. The provisions under point 1 and 2 of this Article do not refer to the advantages and privileges which one Contracting Party may grant to investors of Third States by virtue of their membership of a Customs or Economic Union, of a Common Market, of a Free Trade Area, of a regional or subregional Agreement, of an international multilateral economic Agreement or under Agreements signed in order to prevent double taxation or to facilitate cross border trade.

Article 4. Compensation for Damage or Losses

1. Should investors of one of the Contracting Parties incur losses or damage on their investments in the territory of the other Contracting Party due to war, a state of emergency, civil strife, or other similar events, the Contracting Party in whose territory the investment has been effected shall accord to said investors no less favourable treatment than that accorded to its own nationals and investors of any third State.

Compensation shall be paid without undue delay and shall be freely transferable.

Article 5. Nationalization or Expropriation

1. Investments of investors of one of the Contracting Parties shall not be, "de jure" or "de facto", directly or indirectly, nationalized, expropriated, requisitioned or subjected to any measures having an equivalent effect in the territory of the other Contracting Party, except for public purposes or national interest and in exchange for immediate, full and effective

compensation, and on condition that these measures are taken on a non-discriminatory basis and in conformity with all legal provisions, procedures and orders handed down by Courts or Tribunals having jurisdiction.

2. The just compensation shall be established on the basis of international market values immediately prior to the moment on which the decision to nationalize or expropriate is announced or made public.

Where that value cannot be readily ascertained, the compensation shall be determined in accordance with general recognized principles of evaluation taking into account the capital invested, depreciation, capital already repatriated, replacement value, currency exchange rate movements and other relevant factor.

The exchange rate applicable to any such compensation shall be that prevailing on the date immediately prior to the moment in which the nationalization or expropriation has been announced or made public.

3. Without restricting the scope of the above paragraph, in case that the object of nationalisation, expropriation, or similar, is a company with foreign capital, the evaluation of the share of the investor will be, in the currency of the investment not lower than the starting value, increased by capital increases and revaluation of capital, undistributed profits and reserve funds, and diminished by the value of capital reductions and losses.

4. Compensation will be considered as actual if it will have been paid in the same currency in which the investment has been made by the foreign investor, in as much as such currency is — or remains — convertible, or, otherwise, in any other currency accepted by the investor.

5. Compensation will be considered as timely if it takes place without undue delay.

6. Compensation shall include interests calculated on the basis of LIBOR standards referring to the period comprised between the date of nationalisation or expropriation and the date of payment.

7. A national or company of either Contracting Party that asserts that all or part of its investment has been expropriated shall have a right to prompt review by the appropriate judicial or administrative authorities of the other Contracting Party to determine whether any such expropriation has occurred and, if so, whether such expropriation, and any compensation thereof, conforms to the principles of international law, and to decide all other matters relating thereto.

8. In the absence of an understanding between the investor and the responsible authority, the amount of compensation will be established according to the procedures for dispute resolution as per Article 9 of this Agreement. Compensation will be freely transferable.

9. The provisions of paragraph 1. of this Article shall also apply to profits accruing to an investment and, in the event of winding-up, the proceeds of liquidation.

10. If, after the dispossession, the good concerned has not been utilized, wholly or partially, for that purpose, the owner or his assignees are entitled to the repurchasing of the good at the market price.

Article 6. Repatriation of Capital, Profits and Income

1. Each of the Contracting Parties shall guarantee that the investors of the other Contracting Party may transfer abroad, without undue delay, in any convertible currency, the following:

- a) Capital and additional capital, including reinvested income, used to maintain and increase investment;
- b) The net income, dividends, royalties, payments for assistance and technical services, interests and other profits;
- c) Income deriving from the total or partial sale or the total or partial liquidation of an investment;
- d) Funds to repay loans connected to an investment and the payment of the related interests;
- e) Remuneration and allowances paid to nationals of the other Contracting Party for work and services performed in relation to an investment effected in the territory of the other Contracting Party, in the amount and manner prescribed by the national legislation and regulations in force.

2. Without restricting the scope of Article 3 of this Agreement, the Contracting Parties undertake to apply to the transfers mentioned in paragraph 1 of this Article the same favourable treatment that is accorded to investments effected by investors of Third States, in case it is more favourable.

Article 7. Subrogation

In the event that one Contracting Party or an Institution thereof has provided a guarantee in respect of non-commercial risks for the investment effected by one of its investors in the territory of the other Contracting Party, and has effected payment to the said investor on the basis of that guarantee, the other Contracting Party shall recognise the assignment of the rights of the investor to the first-named Contracting Party. In relation to the transfer of payments to the Contracting Party or its Institution by virtue of this assignment, the provisions of Article 4, 5 and 6 of this Agreement shall apply.

Article 8. Transfer Procedures

1. The transfers referred to in Article 4, 5, 6 and 7 shall be effected without undue delay and, at all events, within six months after all fiscal obligations have been met, and shall be made in any convertible currency. All the transfers shall be made at the prevailing exchange rate applicable on the date on which the investor applies for the related transfer, with the exception of the provisions under point 3 of article 5 concerning the exchange rate applicable in case of nationalization or expropriation.

2. The fiscal obligations under the previous paragraph are deemed to be complied with when the investor has fulfilled the proceedings provided for by the law of the Contracting Party on the territory of which the investment has been carried out.

Article 9. Settlement of Disputes between Investors and Contracting Parties

1. Any dispute which may arise between one of the Contracting Parties and the investors of the other Contracting Party on investments, including disputes relating to the amount of compensation, shall be settled amicably, as far as possible.

2. In case the investor and one entity of one of the Contracting Parties have stipulated an investment agreement, the procedure foreseen in such investment agreement shall apply.

3. In the event that such dispute cannot be settled amicably within six months of the date of the written application for settlement, the investor in question may submit at his choice the dispute for settlement to:

a) The Contracting Party's Court having territorial jurisdiction;

b) An ad hoc Arbitration Tribunal, in compliance with the Arbitration Regulations of the UN Commission on the International Trade Law (UNCITRAL). The host Contracting Party undertakes hereby to accept the reference to said arbitration.

c) The International Centre for Settlement of Investment Disputes, for the implementation of the arbitration procedures under the Washington Convention of 18 March, 1965, on the settlement of investment disputes between States and nationals of other States, if or as soon as both the Contracting Parties have acceded to it.

4. Both Contracting Parties shall refrain from negotiating through diplomatic channels any matter relating to an arbitration procedure or judicial procedures underway until these procedures have been concluded, and one of the Contracting Parties has failed to comply with the ruling of the Arbitration Tribunal or the Court of law within the period envisaged by the ruling, or else within the period which can be determined on the basis of the international or domestic law provisions which can be applied to the case.

Article 10. Settlement of Disputes between the Contracting Parties

1. Any dispute which may arise between the Contracting Parties relating to the interpretation and application of this Agreement shall, as far as possible, be settled amicably through diplomatic channels.

2. In the event that the dispute cannot be settled within six months of the date on which one of the Contracting Parties notifies, in writing, the other Contracting Party, the dispute shall, at the request of one of the Contracting Parties, be laid before an ad hoc Arbitration Tribunal as provided in this Article.

3. The Arbitration Tribunal shall be constituted in the following manner: within two months from the moment on which the request for arbitration is received, each of the two Contracting Parties shall appoint a member of the Tribunal. The appointed arbitrators shall select the President of the Arbitration Tribunal who is a national of a third State. The President shall be appointed within three months of the date on which the other two members are appointed.

4. If within the period specified in paragraph 3. of this Article, the appointments have not been made, each of the two Contracting Parties can, in default of other arrangements, ask the President of the International Court of Justice to make the appointment. In the event that the President of the Court is a national of one of the Contracting Parties or it is, for any reason, impossible for him to make the appointment, the application shall be made to the Vice President of the Court. If the Vice-President of the Court is a national of one of the Contracting Parties or is unable to make the appointment for any

reason, the most senior member of the International Court of Justice, who is not a national of one of the Contracting Parties, shall be invited to make the appointment.

5 The Arbitration Tribunal shall rule with a majority vote, and its decisions shall be binding. Both Contracting Parties shall pay the costs of their own arbitration and of their representative at the hearings. The President's costs and any other cost shall be divided equally between the Contracting Parties. The Arbitration Tribunal may, however, decide that a higher proportion of costs shall be borne by one of the two Contracting Parties and such award shall be binding on both Contracting Parties.

The Arbitration Tribunal shall lay down its own procedures.

Article 11. Relations between Governments

The provisions of this Agreement shall be applied irrespective of whether or not the Contracting Parties have diplomatic or consular relations.

Article 12. Application of other Provisions

1. If a matter is governed both by this Agreement and by another international Agreement to which both Contracting Parties are signatories, or by general international law provisions, the most favourable provisions shall be applied to the Contracting Parties and to their investors.

2. Whenever the treatment accorded by one Contracting Party to the investors of the other Contracting Party, according to its laws and regulations or other provisions or a specific contract or an investment agreement, is more favourable than that provided under this agreement, the most favourable treatment shall apply.

3. Whenever, after the date when the investment has been made, a modification should take place in the legislation of the Party on whose territory the investment has been carried out, acquired rights of the investor under previous legislation will not be affected.

Article 13. Entry Into Force

This Agreement shall become effective as from the date in which the two Contracting Parties notify each other that their respective constitutional procedures have been completed.

Article 14. Duration and Expiry

1. This Agreement shall remain effective for a period of 10 years from the date of the notification under Article 13 and shall remain in force for a further period of 5 years thereafter unless one of the two Contracting Parties withdraws in writing by not later than one year before its expiry date.

2. In the case of investments effected prior to the expiry dates, as provided under paragraph 1 of this Article, the provisions of the Articles 1 to 12 shall remain effective for a further five years after the aforementioned dates.

DONE in Rome on first December one thousand nine hundred and ninety-four, in duplicate in the Italian, Lithuanian and English languages, all texts being equally authentic.

In the event of disagreement, the English text will prevail.

FOR THE GOVERNMENT OF THE ITALIAN REPUBLIC

FOR THE GOVERNMENT OF THE REPUBLIC OF LITHUANIA

Protocol

In signing the agreement between the Government of the Italian Republic and the Government of the Republic of Lithuania on the promotion and protection of investments the Contracting Parties have also agreed the following clauses, to be

considered as integral parts of the Agreement.

1. General Provisions

This Agreement and all its provisions relating to "Investments", provided that such investments are made in accordance with the legislation of the Contracting Party in whose territory they have been made, also apply to the following, related activities:

Organization, control, operation, maintenance and transfer of companies, branches, agencies, offices, establishments or other structures useful for the conduct of business; the conclusion, fulfillment and execution of contracts; the acquisition, use, protection and transfer of property of any kind including intellectual property; borrowing; the purchase, issue and sale of shareholdings and other securities; and the purchase of currency for imports.

Related activities also include:

- I) The granting of franchises or rights under license;
- II) The receipt of registrations, licenses, permits and other approvals necessary for the performance of commercial activities which must in any case be promptly released in accordance with the provisions of the Parties' legislation;
- III) Access to financial institutions in any currency, and to credit and currency markets;
- IV) Access to funds held in financial institutions;
- V) The import and installation of equipment necessary for the normal performance of economic activities, such as, for example, office equipment and vehicles, and the export of any equipment and motor vehicle imported in this way;
- VI) The dissemination of commercial information;
- VII) Conducting market surveys;
- VIII) The appointment of commercial representatives, including agents, consultants and distributors (ie mediators in the distribution of goods not produced by themselves), their service in these garments and their participation in trade fairs and other promotional events;
- IX) The marketing of goods and services also through internal distribution and marketing systems, or through advertising and direct contacts with individuals and companies;
- X) Payments, for goods and services in local currency; is
- XI) Leasing services rendered in or to the territory of the Contracting Parties

2. With Reference to Art. 2

- a) For the purposes of resolving disputes a given measure can be considered arbitrary and discriminatory despite the fact that one of the Parties in dispute has had or exercised the opportunity to review this measure by the Courts or Administrative Courts of a Contracting Party.
- b) The agencies or representatives of a Contracting Party may enter into an investment agreement with investors of the other Contracting Party, which make an investment of national interest in the territory of the Contracting Parties, which will regulate the specific legal aspects connected with the investment in question.
- c) None of the Contracting Parties will set any conditions for the start, development or continuation of investments, which may imply taking over or imposing restrictions on the sale of production on the domestic or international market, or specifying that the goods must be procured locally, or other similar conditions.
- d) Each Contracting Party will provide effective means to make claims and assert rights relating to investments and investment agreements.
- e) The citizens of each Contracting Party authorized to work in the territory of the other Contracting Party and in connection with an investment made under this Agreement will be entitled to working conditions appropriate to the performance of their professional activities.
- f) The citizens of each of the Contracting Parties will be allowed to enter and stay in the territory of the other Contracting Party in order to establish, develop, manage or advise on activities related to an investment for which they, or a company of the first Contracting Party that employs them, have committed or are about to commit an important share of capital, or for

similar reasons.

g) Companies legally established under the laws or regulations in force of one of the Parties and which are controlled by the other Contracting Party will be allowed to employ senior management personnel of their choice, regardless of nationality.

3. With Reference to Art. 3

a) All activities relating to the purchase, sale and transport of raw materials and their derivatives, energy, fuels, capital goods, as well as any other transaction related thereto and in any case connected with business activities pursuant to this Agreement, shall enjoy, in the territory of each Contracting Party, of a treatment no less favorable than that given to similar activities and initiatives of resident citizens or investors of a third country.

b) According to its own laws and regulations, each Contracting Party shall regulate as much as possible the problems relating to entry, stay, work and travel on its territory of the citizens of the other Contracting Party who carry out activities related to the investments referred to in this Agreement, and members of their own families.

4. With Reference to Art. 5

Nationalization or expropriation of an investor of one of the Contracting Parties will be considered a measure of nationalization or expropriation of assets or rights belonging to a company controlled by the investor, as well as the removal from the company of financial resources or other assets, which creates obstacles to the activities or otherwise substantially prejudices the value of the same or imposes a tax treatment that could have an effect equivalent to the nationalization or expropriation.

5. With Reference to Art. 9

The arbitration pursuant to art. 9 (3) (b) will be held in accordance with the arbitration criteria of the United Nations Commission for International Commercial Law (UNCITRAL) referred to in the Resolution of the General Assembly of the United Nations No. 31/98 of 15 December 1976, with the compliance with the following provisions:

a) The Arbitral Tribunal will consist of three arbitrators; if they are not citizens of the Parties, they must possess the citizenship of states that are diplomatic with both Contracting Parties.

The designations of arbitrators that are necessary pursuant to the UNCITRAL Regulation will, in its capacity as Appointing Authority, the President of the Arbitration Institute of the Stockholm Chamber. The place of arbitration will be Stockholm, unless otherwise agreed between the parties involved.

b) In pronouncing its decision, the Arbitration Tribunal will also apply the provisions of this Agreement, as well as the principles of international law recognized by the two Contracting Parties.

The recognition and execution of the arbitration decision in the territory of the Contracting Parties shall be governed by the respective national legislation, in accordance with the international conventions on which they are a party.

IN WITNESS WHEREOF, the undersigned, duly authorized by their respective Governments, have signed the present Protocol.

DONE in Rome on first December one thousand nine hundred and ninety-four, in duplicate in the Italian, Lithuanian and English languages, all texts being equally authentic.

In the event of disagreement, the English text will prevail.

FOR THE GOVERNMENT OF THE REPUBLIC OF LITHUANIA

FOR THE GOVERNMENT OF THE ITALIAN REPUBLIC