

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

The Government of the Republic of Lithuania and the Government of the Republic of Armenia, hereinafter referred to as the Contracting Parties,

Desiring to intensify economic cooperation between them on mutually advantageous conditions,

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

Recognizing that the promotion and protection of such investments will stimulate private business initiative and increase the prosperity of both countries,

Have agreed as follows:

Article 1. Definitions

For the purposes 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, provided that the investment has been made in accordance with the laws and regulations of the other Contracting Party, and shall include in particular through not exclusively:

- a) Movable and immovable property as well as any other rights in rem, such as mortgages, liens and pledges, and similar rights;
- b) Shares, bonds and other forms of participation in an enterprise;
- c) Claims to money or to any performance having an economic value;
- d) Intellectual property rights, in particular copyrights, industrial property rights (such as patents, industrial designs and models, trade marks, trade names) and know-how;
- e) Goodwill;
- f) Any right to conduct economic activities conferred by law or under contract, including concessions to search for, extract and exploit natural resources.

Any alienation of the form in which assets are invested shall not affect their character as investment, provided such an alternation is made accordance with the laws and regulations of the host Contracting Party.

2. The term "Investor" shall mean:

- a) Any natural person, who is considered a citizen in accordance with the laws and regulations of that Contracting Party or stateless person permanently residing in the territory of either Contracting Party;
- b) Any legal person constituted or organized, in accordance with the laws and regulations of either Contracting Party.

3. The term "returns" shall mean all amounts yielded by an investment and in particular, though not exclusively, includes profits, capital gains, interests, dividends, royalties and fees.

4. The term "territory" shall mean the territory of the State of either Contracting Party (land territory, maritime area and air space), and any other area over which the State of the Contracting Party exercises sovereign rights or jurisdiction in accordance with international law.

5. The term "laws and regulations" shall mean in respect of either Contracting Party the laws and regulations in force in the territory of that Contracting Party.

Article 2. Promotion of Investments

Each Contracting Party shall encourage investors of the other Contracting Party to make investments in its territory and shall admit such investments in accordance with its laws and regulations.

Article 3. National and Most-favored-nation Treatment

1. Each Contracting Party shall at all times ensure fair and equitable treatment of the investments made by investors of the other Contracting Party as well as their full security and protection.

2. Neither Contracting Party shall by arbitrary or discriminatory measures impair the management, maintenance, use, enjoyment or disposal of investments made by investors of the other Contracting Party.

3. Each Contracting Party shall accord to the investments made by investors of the other Contracting Party treatment no less favorable than that accorded to the investments made by its own investors or investors of any third State, whichever is more favourable.

4. The provisions of this Agreement 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 accorded to the investors of any third State by virtue of:

a) Any existing or future customs union, common market, free trade area, other forms of regional economic cooperation or similar international arrangements to which either Contracting Party is or may become a party.

b) Any existing or future agreements relating to avoidance of double taxation or any other arrangement relating to taxation.

Article 4. Expropriation

1. Neither Contracting Party shall expropriate, nationalize or take measures having equivalent effect (hereinafter referred to as expropriation) against investments of investors of the other Contracting Party, unless:

a) Such expropriation is in the public interest and under due process of law;

b) Such expropriation is carried out without discrimination;

c) Prompt and adequate and effective compensation is given.

2. The compensation mentioned in point (c) of the paragraph (1) of this Article shall be equivalent to the market value of the expropriation investment immediately before the expropriation occurred or the impending expropriation became public knowledge, include interest calculated on the LIBOR basis from the date of expropriation until the date of full payment.

3. Investors, whose assets are being expropriated shall, without prejudice to their rights under Article 8 of this Agreement, have a right to prompt review by the appropriate judicial or other competent and independent authorities of the expropriating Contracting Party to determine whether such expropriation, and any related compensation conforms to the principles of this Article and the laws and regulations of the expropriating Contracting Party.

Article 5. Compensation for Losses

1. Investors of one Contracting Party who suffer losses relating to their investments in the territory of the other Contracting Party due to war, a state of national emergency, insurrection, riot or other similar events, shall be accorded by the latter Contracting Party, treatment no less favourable than which it accords to its own investors or to investors of any third State, whichever is more favorable.

2. Notwithstanding in paragraph 1 of this Article, investors of one Contracting Party who suffer losses in the territory of the other Contracting Party in any of the events mentioned in paragraph 1 of this Article, which resulting from:

- a) Requisition of their investments or part thereof by the latter's forces or authorities, or
- b) Destruction of their investment or part thereof by the latter's forces or authorities, which was not required by the necessity of the situation,

Shall be accorded restitution or compensation which in either case shall be prompt, adequate and effective.

Article 6. Transfers

1. Each Contracting Party shall guarantee to investors of the other Contracting Party free transfer into and out of its territory of payments related to an investment, in particular:

- a) Initial capital and additional amounts for the maintenance or extension of the investment,
- b) Returns,
- c) Proceeds from total or partial liquidation of the investment;
- d) Funds in repayment of loans directly related to the investment;
- e) Compensation provided for in Article 4 and 5;
- f) Payments under a guarantee or insurance contract referred to in Article 7;
- g) Earnings of personnel engaged from abroad in connection with an investment in its territory.

2. Without prejudice to measures adopted by the European Union, transfers shall be made in currency in which the original investment was made or in any freely convertible currency if agreed upon by the investor, at the applicable market rate of exchange prevailing on the date of transfer, and effected without undue delay.

3. The Contracting Parties shall accord to the transfers referred to in paragraphs 1 and 2 of this Article treatment no less favourable than that accorded to transfers related to investments made by investors of any third State.

4. Notwithstanding the foregoing provisions of this Article, either Contracting Party may maintain equitable, non-discriminatory and good faith application of measures, relating to taxation, protection of rights of creditors, or ensuring compliance with other laws and regulations.

Article 7. Subrogation

If one Contracting Party or its designated agency (the first Contracting Party) makes a payment under a guarantee or contract of insurance given in respect of an investment in the territory of the other Contracting Party (the second Contracting Party), the second Contracting Party shall recognize:

- a) The assignment to the first Contracting Party by law or by legal transaction of all the rights and claims of the party indemnified, and
- b) That the first Contracting Party is entitled to exercise such rights and enforce such claims by virtue of subrogation to the same extent as the party indemnified.

Article 8. Settlement of Investment Disputes

1. Disputes between a Contracting Party and an investor of the other Contracting Party relating to an investment of the latter in the territory of the former shall, if possible, be settled amicably. In the event of a dispute the Contracting Party in whose territory the investment was made shall be notified in writing, including detailed information, by the investor.

2. If such a dispute cannot be settled amicably within six months from the date of the written notification provided in paragraph 1, and all domestic judicial and administrative remedies have been exhausted, the Contracting Party or the investor shall be entitled to submit the dispute either to:

- The International Centre for the Settlement of Investment Disputes (I.C.S.I.D.) established under the Convention on the Settlement of Investment Disputes between States and Nationals of other States for conciliation or arbitration under ICSID Rules or Procedure for Arbitration Proceedings if both of the Contracting Parties have acceded to the Convention; or
- An *ad hoc* Arbitral tribunal, established in accordance with the Arbitration Rules of the United Nations Commission on

International Trade Law (UNCITRAL). The parties to the dispute may agree in writing to modify those Rules.

3. The award of arbitration shall be final and binding on the parties to the dispute. Each Contracting Party shall carry out without delay any such award, recognized in accordance with the laws and regulations of the respective Contracting Party, and shall provide for the effective enforcement of such awards in its territory.

4. Neither Contracting Party shall assert as a defence that indemnification or other compensation for all or part of the alleged damage has been received or will be received pursuant to a guarantee or insurance contract.

Article 9. Settlement of Disputes between the Contracting Parties

1. Any disputes between the Contracting Parties concerning the interpretation or application of this Agreement shall as far as possible be settled through the diplomatic channels.

2. If the Contracting Parties cannot reach an agreement within six months after the beginning of the dispute, the latter shall, upon the request of either Contracting Party, be submitted to an arbitral tribunal.

3. Such an arbitral tribunal shall be constituted for each case in the following way. Within two months from the date on which either Contracting Party receives from the other Contracting Party a request for arbitration, each Contracting Party shall appoint one arbitrator. These two arbitrators shall together, within a further two months period, select a third arbitrator who is a national of a third State. The third arbitrator, once approved by the two Contracting Parties, shall be appointed as Chairman of the arbitral tribunal.

4. If the arbitral tribunal has not been constituted within the periods specified in paragraph 3 of this Article, either Contracting Party may, in 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 State of either Contracting Party, or it otherwise prevented from discharging this function, the Vice-President shall be invited to make the necessary appointments. If the Vice-President is a national of State or either Contracting Party or if also is prevented from discharging the said function, the member of the International Court of Justice next in seniority who is not a national of State of either Contracting Party shall be invited to make the necessary appointments.

5. The arbitral tribunal shall determine its own procedure. The arbitral tribunal shall reach its decisions by a majority of votes. The decisions shall be final and binding upon each Contracting Party.

6. Each Contracting Party shall bear the cost of its own member of the arbitral tribunal and of its representation in the arbitration proceedings; the costs of the Chairman and remaining costs shall be borne in equal parts by the Contracting Parties. The arbitral 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.

Article 10. More Favourable Provisions

If the domestic law of the State of either Contracting Party or obligations under international law, existing at present or established hereafter, entitle investments by investors of the other Contracting Party to treatment more favourable than that provided by this Agreement such more favourable treatment shall prevail.

Article 11. Consultations

Upon request by either Contracting Party, the other Contracting Party shall agree promptly to hold consultations on the interpretation and application of this Agreement.

Article 12. Applicability of the Agreement

1. This Agreement shall apply to the investments made in the territory of one of the Contracting Parties in accordance with its laws and regulations by investors of the other Contracting Party prior to as well as after the entry into force of this Agreement, but shall not apply to any dispute concerning an investment which arose or could have arisen, or any claim which was settled before its entry into force.

2. This Agreement shall not apply to matters, related to the acquisition, use, exploitation or disposition of land. These questions are regulated by the laws and regulations of either Contracting Party.

Article 13. Amendments and Changes

The Contracting Parties may make amendments and changes to this Agreement by mutual consent. Such amendments and changes shall be made in written and, upon entry into force in the manner prescribed in paragraph 1 of Article 14, shall constitute an integral and inseparable part of this Agreement.

Article 14. Entry Into Force, Duration, and Termination

1. This Agreement shall enter into force on the date of receipt through diplomatic channels of the last notification that the respective internal legal procedures of the Contracting Parties for its entry into force have been completed.
2. This Agreement shall remain in force for a period of ten (10) years. It shall continue to be in force for indefinite period thereafter until the expiration of twelve (12) months from the date on which either Contracting Party have given written notice of termination to the other.
3. With respect to investments made prior to the effective date of termination of this Agreement, the provisions of Articles 1 through 12 shall remain in force for a further period of ten (10) years from such date.

DONE in duplicate at Yerevan, on 25 April, 2006, in Lithuanian, Armenian and English languages, all texts being equally authentic. In case of divergent interpretation of this Agreement, the English text shall prevail.

FOR THE GOVERNMENT

OF THE REPUBLIC OF LITHUANIA

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Suffer losses in the territory of the other Contracting Party in any of the events mentioned in paragraph 1 of this Article, which resulting from:

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Arbitral tribunal, established in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL). The parties to the dispute may agree in writing to modify those Rules.

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