

# **AGREEMENT**

## **Government of the Republic of Armenia and encouragement of investments and mutual protection between the Government of Georgia**

The Government of the Republic of Armenia and the Government of Georgia, hereinafter referred to as the Parties;

Desiring to strengthen economic cooperation between the two Parties,

Seeking to create and maintain favorable conditions for investors of the other Contracting Party in the territory of a Party;

Recognising that the encouragement and reciprocal protection of investments under this Agreement will stimulate business initiatives in this field,

Agreed as follows:

### **Article 1. Definitions**

For purposes of this Agreement,

1. "investment" shall include every kind of assets that investors invested a Party to economic activity in the territory of another Party, in accordance with the current legislation and in particular, though not exclusively, includes:

- a) movable and immovable property (buildings, structures, equipment, and other material values) and the related property rights, such as mortgage right, the right of pledge and similar rights;
- b) shares, stocks, bonds, reinvested earnings, investment performance with targeted financial and banking deposits,
- c) claims to money or any performance having an economic value;
- d) intellectual property rights, including copyrights, trademarks, patents, industrial designs, technological processes, "know-how" numbers, trade secrets, trade names and goodwill associated with an investment;
- e) legislation on patents and licenses, including natural resources exploration, extraction and processing concessions.

Any change in the form of assets will not affect their character as an investment.

2. The term "investor" means

- a) any natural person possessing the citizenship or permanent residence within the territory of each Party, that Party, its laws,
- b) In accordance with the legislation of each Party by any legal person who invests in the territory of the other Party.

3. The term "returns" means income from investments as a result of monetary funds and includes in particular, but not exclusively, interest, capital gains, dividends, royalties and payments for services.

4. The term "territory" means for each Party, that Party's territory, including the maritime regions, as well as the continental shelf and economic zone, on which it shall, in accordance with its national legislation and norms of international law, sovereign rights and jurisdiction over the activity.

### **Article 2. Application of the Agreement**

All terms of this Agreement in respect of investments made by investors of one Party in the territory of the other Party, since 1991.

### **Article 3. Investment Promotion and Protection**

1. Each Party shall encourage and create favorable conditions for investors of the other Party in connection with investments in its territory and allow such investments in accordance with its laws and regulations.
2. Investments of investors of either of the other party area shall be fair and equal treatment , full protection and security.

### **Article 4. National Investment Regime**

1. Each Party shall provide in its territory to investments of investors of another Party fair and equitable and not less favorable regime than that accorded to investments of its own investors or investors of any third state and excludes the discriminatory nature of the measures that can be interfere with the management and disposal of own investments.
2. Paragraph 1 of this Article shall be interpreted as imposing an obligation on the one hand, any regime (regime) resulting benefits, privileges or advantages in providing the investors of the other Party, which may be extended by the latter and stems,
  - a) any customs union or free trade area or other similar international agreements that have an impact on other forms of cooperation in the investment contract (regime) or of which it is party or may become a party;
  - b) any international agreement or arrangement, completely or partially related to taxation.

### **Article 5. Compensation for Losses**

1. When investments made by investors of any other Party suffer losses in the territory of war, armed conflict, national emergency, revolution, rebellion, conspiracy, natural disasters, accidents or other circumstances, such investments, their restoration, compensation or any other decision making regarding treatment no less favorable regime than it accords to its own investors or investors of any third state.
2. Without prejudice to the provisions of paragraph 1 of this Article, a Party to investors who are in the territory of the other Party losses as a result of any event referred to in this paragraph with regard to:
  - a) the authorities' confiscation of his property,
  - b) destruction of their property by the authorities, which is not due to military activities or the situation,

Provide fair and adequate compensation for the losses that investors suffered as a result of the seizure or destruction of property.

Payments that arise will be passed on freely convertible currency without delay.

### **Article 6. Expropriation**

1. Investments of investors of either Contracting Party in the territory of the other Party may not be nationalized, expropriated or subjected to measures that will have a similar effect (hereinafter referred to as expropriation) except in the cases provided for in national legislation.

The expropriation proceedings will be conducted in accordance with non-discriminatory basis, to be followed by immediate payment of adequate and effective compensation. Such compensation will be equal to the market value of the investment at the moment when it becomes confiscation or impending seizure, will include LIBOR interest rate from the expropriation date and will be paid in the currency in which the investment is made or the agreement between the parties, in any other currency acceptable for the investor, will be made without delay, be effectively realizable and freely transferable.

2. The affected investor is entitled to immediately appeal to the judicial authorities of that Party, of its case and revise its investment in accordance with the principles of this Article, assess the issue.
3. The provisions of paragraph 1 of this Article shall also apply in the event that expropriates the assets of a company which has established a joint stock company or any part of its territory, in accordance with the legislation in force, and where are the investors of the other Party shares.

## **Article 7. Transfers**

1. The Parties shall, in accordance with their existing obligations, ensure the fulfillment of all taxes and other mandatory payments to the guaranteed investment and the transfer of freely convertible currency of payments related to income. Transfers can be carried out without any restriction and delay.
2. The rates are official rates for the purposes of this Agreement, in force at the date of transfer, unless otherwise agreed.

## **Article 8. Subrogation**

If either financial guarantees for investments made by its investors in the territory of the other Party for the non-commercial risks and, in accordance with the guarantees, performance pay, the other party, on the basis of subrogation, recognize the assignment of rights by the investor.

## **Article 9. Settlement of Disputes between a Party and an Investor of the other Party**

1. A party between the investor and the other party, any dispute arising from an investment in the territory in dispute would be subject to negotiation between the Parties.
2. If a Party and an investor of the other Party arising out of any dispute not resolved in this manner within six months from the date of written request, the investor receives the right to submit the dispute,
  - a) a judicial investigation body of the Party in whose territory the investment is made, or
  - b) the International Centre for Dispute Resolution in respect of investments (ICSID), taking into account 1965 Washington, March 18 (in accordance with the terms of the Convention on settlement of disputes regarding investments between the District of Columbia), opened for signature, States and Nationals of other States, if both sides of this Convention, or
  - c) an international arbitrator or ad hoc arbitral tribunal established under the arbitration of the United Nations Commission on International Trade Law rules (UNCITRAL). The parties may agree in writing to modify these rules. The decisions of the tribunal will be final and binding upon both Parties.

## **Article 10. Dispute Settlement between the Parties**

1. Disputes between the Parties concerning the interpretation or application of this Agreement shall primarily be resolved through mutual consultations and negotiations.
2. If the dispute is not resolved in this manner within six months after the date of its origin, then, at the request of any Party, it will be put to arbitration in accordance with the provisions of this Article.
3. The Arbitral Tribunal shall be constituted for each individual case in the following manner. two months of receipt of a written request for arbitration, each Party shall appoint one member of the court. The two members will be elected in a third country national who, with the approval of the Parties shall be appointed Chairman of the Tribunal (the president).

Chairman shall be appointed within three months after the appointment of the other two members.
4. If the necessary appointments are not made within the time prescribed in paragraph 3 of this Article, but in the absence of the agreement, each party may invite the President of the International Court of Justice to make the necessary appointments. If he is a citizen of a Party or otherwise prevented from discharging the said function, the Vice President will be invited to make the necessary appointments. If the latter is also a Party or any other reason can not fulfill this function, then make the necessary appointments will be invited to the UN International Court of Justice next in seniority member who is not a citizen and is not normally able to perform this function.
5. The arbitral tribunal shall adopt its decisions by majority vote. These decisions will be binding for each party. Each party will bear its own member and of its representation in the arbitration proceedings costs, the president and other costs would be of equal size. The Arbitral Tribunal shall determine its own procedure.

## **Article 11. Other Rules and the Enforcement of Specific Obligations**

1. If issues are also covered by this Agreement and other international agreements to which both Parties are members, then nothing in this Agreement will not prevent the Parties or their investors who invest in the territory of the other Party, to take

advantage of more favorable rules for their own advantage.

2. If the regime (regime), which is a Party, its laws and the rules of procedure, provide the investors of the other Party is more favorable than that accorded by this Agreement, it will be the most favorable.

## **Article 12. Changes and Additions**

Changes and amendments to this Agreement will be made by written agreement between the Parties. Any amendment shall enter into force when the Parties notify each other of their respective procedures necessary for the entry into force of such amendment.

## **Article 13. Entry Into Force, Duration and Termination**

1. This Agreement shall enter into force 30 days after the exchange of notifications of completion of the procedures required by the Parties.

2. This Agreement is valid for 10 years. Then it will work so long as none of the parties in advance, 12 months ago, will notify the other Party in writing of its intention to terminate its operation.

3. Prior to the termination of this Agreement in relation to investments made under this Agreement (Articles 1-11) are valid within ten years of the date of termination of the operation.

Done at the city of Tbilisi, in duplicate, in the June 4, 1996, Armenian, Georgian and Russian languages, all texts being equally authentic. In case of misinterpretation of the provisions of this Agreement, the Russian text shall prevail.

The Agreement entered into force on January 18, 1999.