

# **AGREEMENT dated September 29, 2014**

BETWEEN THE GOVERNMENT OF THE RUSSIAN FEDERATION AND THE GOVERNMENT OF THE REPUBLIC OF AZERBAIJAN ON THE PROMOTION AND MUTUAL PROTECTION OF INVESTMENTS

The Russian Federation and the Government of the Republic of Azerbaijan, hereinafter referred to as the Contracting Parties,

Striving to create and maintain favorable conditions for investments of investors of one Contracting Party in the territory of the other Contracting Party,

Recognizing that the promotion and reciprocal protection of investments on the basis of this Agreement will stimulate investment and promote the development of mutually beneficial trade-economic and scientific-technical cooperation, as well as business initiatives in both countries, have agreed as follows:

## **Article 1. Definitions**

For the purposes of this Agreement the following terms mean:

1. "Investor" - any individual or legal entity of one of the Contracting Parties to make investments in the territory of the other Contracting Party in accordance with the law of the State of the latter Contracting Party:

- a. any natural person who is a citizen of one Contracting Party in accordance with its legislation;
- b. Any legal entity created or organized in accordance with the laws of the Contracting Parties.

2. "Investment" - every kind of asset, invested by an investor of one Contracting State Party in the territory of the other Contracting Party in accordance with the legislation of the latter Contracting Party, and in particular:

- a. movable and immovable property and proprietary rights;
- b. share, stock or other forms of participation in the capital of commercial organizations, as well as bonds;

At. a claim on the funds invested to create economic value or that have an economic value and associated with an investment;

Of exclusive rights to intellectual property (copyright, rights to topographies of integrated circuits and databases, patents, industrial designs, models, trademarks or service marks, technology, information having a commercial value, and know-how);

d. the right to carry out business activities, provided in accordance with the laws of the Contracting Party in whose territory the investments of the state or under contract, including,

Specifically, the rights associated with the exploration, development, production and exploitation of natural resources.

No change in the form of investments, including investments reinvested does not affect their qualification as investments if such change does not contradict the legislation of the State of the Contracting Party in whose territory the investments are made.

3. "Income" - funds received from the investment and, in particular, profits, dividends, interest, royalties and other fees, royalties, capital gains property.

4. "The law of the Contracting Party" - laws and other normative legal acts of the Russian Federation or the laws and other normative legal acts of the Republic of Azerbaijan.

5. "territory of the Contracting Party" - means, in respect of:

- a. Russian Federation - the territory of the Russian Federation,
- 6. The Republic of Azerbaijan - the territory of the Republic of Azerbaijan.

## **Article 2. Investment Protection**

1. Each Contracting Party shall endeavor to create favorable conditions for investors of the other Contracting Party to make investments in the territory of the former Contracting Party and admit such investments in accordance with its laws and regulations.

2. Each Contracting Party shall ensure, in accordance with

Its laws and regulations complete protection on its territory of investments of investors of the other Contracting Party State.

## **Article 3. Investment Mode**

1. Each Contracting Party shall ensure in its territory fair and equitable treatment to investments of investors of the other Contracting Party in respect of the ownership, use and disposal of such investments.

2. Each Contracting Party shall provide on its territory

State in respect of investments of investors of the other

Contracting Party treatment no less favorable than that which it accords to investments of investors of their state or investments of investors of any third state, depending on which one is at the investor's opinion, is the most favorable.

3. Without prejudice to the provisions of Articles 4, 5 and 8 of this Agreement, no Contracting Party shall be bound in accordance with this Agreement to provide treatment more favorable than that accorded by that Contracting Party in accordance with its obligations under the Agreement establishing the World Trade Organization (WTO) of 15 April, 1994, including the commitments to the General agreement on trade in services (GATS), as well as in accordance with any multilateral arrangements relating to the investment regime to which States are both Contracting Parties.

4. Each Contracting Party reserves the right to apply and introduce in accordance with the laws of their state exemptions from national treatment in respect of investors of the other Contracting Party and their investments.

5. The provisions of this article with respect to MFN should not be construed so as to oblige one Contracting Party to extend to investments of investors of the other Contracting Party the benefit of any treatment, preference or privilege, which are available or can be provided in the future, the first Contracting Party:

a. in connection with its participation in a free trade area, customs or economic union, a member of which each of the Contracting Parties is or may become in the future, and any similar economic integration entities;

6. on the basis of agreements to avoid double taxation or other agreements on taxation.

## **Article 4. Expropriation**

1. Investments of investors of one Contracting Party made in the territory of the other Contracting Party can not be expropriated, nationalized or subjected to any measures of compulsory withdrawal is tantamount to expropriation or nationalization (hereinafter referred to as - expropriation), except in cases where the expropriation is carried out the public interest, subject to the procedure established in accordance with the law of the state of the other Contracting Party, not discriminatory and entails the payment of prompt, adequate and effective compensation.

2. The compensation referred to in paragraph 1 of this Article shall comply with

The market value of the expropriated investment calculated on the date immediately preceding the date of expropriation, or on a date,

Immediately prior to the date when it became common knowledge about the impending expropriation, depending on which event occurs first. Compensation shall be paid without delay in a freely convertible currency and freely transferred in accordance with Article 6 of this Agreement to the territory of one Contracting Party in the territory of the other Contracting Party. From the date of expropriation until the date of actual payment of compensation in the amount of the compensation will bear interest at a commercial rate established on a

Market basis, but not less than six-month LIBOR rate for loans in US dollars.

## **Article 5. Damages**

State Investors of one Contracting Party, investments suffer losses as a result of war, civil unrest or other similar circumstances in the territory of the other Contracting Party, provided the latter Contracting Party in respect of restitution, indemnification, compensation or other settlement mode that best

Favorable of those latter Contracting Party shall accord to investors of any third state or the investors of the state in respect of measures taken by it in connection with such damage.

## **Article 6. Transfer Payments**

1. Each Contracting Party shall guarantee to investors of the other Contracting Party, after fulfillment of all tax and other obligations under the law of the Contracting Party in the territory of the State which carried out investments, free transfer abroad of payments related to their investments and in particular, but not exclusively,;

a. income;

b. funds in repayment of loans and credits recognized by both Contracting Parties as investments, as well as the accrued interest;

At. funds received in connection with the partial or total liquidation or sale of investments;

Of compensation, reimbursement or other kind of settlement provided for in Articles 4 and 5 of this Agreement;

d. salaries and other remunerations received by investors and nationals of the latter Contracting Party who are allowed to work in connection with investments in the territory of the first Contracting Party.

2. Transfers of payments referred to in paragraph 1 of this Article shall be made without delay in a freely convertible currency at the rate applicable on the date of transfer, in accordance with the currency legislation of the State of the Contracting Party in whose territory the investments were made.

## **Article 7. Subrogation**

Contracting Party or its designated agency, which made a payment to the investor of its State on the basis of guarantees against non-commercial risks in connection with its investment in the territory of the other Contracting Party will be able to exercise by subrogation the right of the investor to the same extent as the investor. These rights shall be exercised in accordance with the laws of the Contracting Party in whose territory the investments were made.

## **Article 8. Settlement of Disputes between a Contracting Party and an Investor of the State**

The other Contracting Party

1. Disputes between one Contracting Party and an investor of the other Contracting Party arising in connection with the investment of an investor in the territory of the first Contracting Party, including, but not limited to disputes concerning the size, conditions, or order the payment of compensation in accordance with Articles 4 and 5 of this Agreement or order

Transfer of payments provided for in Article 6 of this Agreement shall be resolved as far as possible by negotiations.

2. If the dispute can not be settled through negotiation within six months from the date of receipt of one of the parties to the dispute a written request to the other side of its resolution of the dispute by negotiation, the dispute over the choice of the investor can be submitted in one of the following bodies to resolve disputes:

a. the competent court of the Contracting Party in whose territory the investments were made; or

b. International Centre for Settlement of Investment Disputes (ICSID), established by the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, opened for signature March 18, 1965 in Washington, DC (provided that it has entered into force for both Contracting Parties), or Further, in accordance with the rules of International Centre for settlement of investment disputes (if the Convention has not entered into force for both or one of the Contracting Parties); or

At. ad hoc arbitral tribunal established under the arbitration rules of the United Nations Commission on International Trade

Law (UNCITRAL).

3. The arbitration decision in a dispute under consideration in accordance with this Article shall be final and binding on both parties to the dispute. Each Contracting Party undertakes to ensure the execution of such a decision in accordance with the laws of the state.

## **Article 9. Settlement of Disputes between the Contracting Parties**

1. Disputes between the Contracting Parties concerning the interpretation or application of this Agreement shall be settled as far as possible by negotiations. If in this way the dispute is not settled within six months from the date of receipt of either Contracting Party a written request of the other Contracting Party about the beginning of negotiations, at the request of a Contracting Party, it shall be submitted to an arbitral tribunal.

2. The arbitral tribunal shall be constituted for each individual dispute, for which each Contracting Party shall appoint one member of the arbitration tribunal within two months from the date of receipt of the notification of the arbitration proceedings. Then, these two members shall select a national of a third State, who on approval of the two Contracting Parties shall be appointed Chairman of the arbitral tribunal within four months from the date of appointment of the last of the other two members of the arbitral tribunal.

3. If within the period specified in paragraph 2 of this Article, the necessary appointments have not been made, in the absence of any other agreement between the Contracting Parties, any Contracting Party may request the President of the United Nations International Court of Justice (hereinafter - the International Court of Justice) to make such appointments. If the chairman of the International Court of Justice is a national of either Contracting Party or is otherwise unable to discharge the said function, then make the necessary appointments invited the Deputy President of the International Court. If the deputy chairman of the International Court of Justice is also a national of either Contracting Party or for other

Unable to discharge the said function, then make the necessary appointments offered to the next in seniority member of the International Court of Justice who is not a national of either Contracting Party in respect of which there are no other reasons that do not allow him to fulfill this request.

4. The arbitral tribunal shall render its decision by majority vote. This decision is final and binding on the Contracting Parties. Each Contracting Party shall bear the expenses related to the activities of the arbitral tribunal of its own member and of its representation in the arbitration proceedings. The costs associated with the arbitration court Chairman and other expenses The Contracting Parties shall bear in equal shares. The arbitral tribunal may, however, provide in its decision that one of the Contracting Parties shall bear a larger share of the costs, and the decision will be binding on both Contracting Parties. The arbitral tribunal shall determine its own procedure.

## **Article 10. Applicability of other Regulations**

If the law of the State of either Contracting Party or international agreements in force in relations between the Russian Federation and the Azerbaijan Republic contain provisions granting investments of investors of the other Contracting Party treatment more favorable than is provided for by this Agreement, such provisions shall apply in so far as they are more favorable to the investor, subject to the provisions of paragraph 3 of article 3 of this Agreement.

## **Article 11. Consultations**

The Contracting Parties shall at the request of any of them, shall hold consultations on matters relating to the interpretation or application of this Agreement.

## **Article 12. Application of the Agreement**

The provisions of this Agreement shall apply to all investments made by investors of the State of either Contracting Party in the territory of the other Contracting Party in accordance with its national law since January 1, 1992, but will not apply to any dispute concerning investments which has arisen before this entry Agreement enters into force, or to any of the claims resolved prior to the entry into force of this Agreement.

## **Article 13. Entry Into Force and Duration of the Agreement**

1. This Agreement shall enter into force on the date of receipt through diplomatic channels of the last written notification on fulfillment by the Contracting Parties of internal procedures necessary for its entry into force.

2. This Agreement shall be valid for ten years. After this period it shall be automatically extended for successive five-year periods, unless either Contracting Party notifies the other Contracting Party at least twelve months prior to the expiry of the period of its intention to terminate this Agreement.

3. This Agreement may be amended and supplemented by mutual

Written consent of the Contracting Parties. Any amendments shall enter into force after each Contracting Party shall notify the other Contracting Party on the implementation of all

Internal procedures necessary for the entry of such amendments into force.

4. With respect to investments made prior to the termination date of this Agreement and covered by its action, the provisions of all other articles of this Agreement shall remain in force for the next ten years after the date of termination of its validity.

Done at the city of Astrakhan "29" in September 2014 in two copies in Russian and Azerbaijani languages, both texts being equally authentic.

For the Government For the Government of

The Russian Federation, the Republic of Azerbaijan