TREATY BETWEEN THE UNITED STATES OF AMERICA AND THE RUSSIAN FEDERATION CONCERNING THE ENCOURAGEMENT AND RECIPROCAL PROTECTION OF INVESTMENT

The United States of America and the Russian Federation (hereinafter the "Parties"), desiring to promote greater economic cooperation between them, with respect to investment by nationals and companies of one Party in the territory of the other Party; and

Recognizing that agreement concerning the encouragement and reciprocal protection of investment will stimulate the flow of capital and the economic development of the Parties;

Agreeing that fair and equitable treatment of investment is desirable in order to maintain a stable framework for investment and maximum effective utilization of economic resources;

Recognizing that the development of economic and business ties can contribute to the well-being of the peoples of each Party and promote respect for the internationally recognized rights of working people;

Convinced that the growth and performance of market economies rely primarily on the freedom of individual enterprise;

Believing that economic freedom for the individual includes the right freely to own, buy, sell, and otherwise use property;

Have agreed as follows:

Article I.

1. For the purposes of this Treaty, the term

(a) "company of a Party" means any kind of corporation, company, association, enterprise (including cooperatives), or other organization, legally constituted under the laws and regulations of a Party or a political subdivision thereof, whether or not organized for pecuniary gain, or privately or governmentally owned;

(b) "national of a Party" means a natural person who is a national of a Party under its applicable law;

(c) "investment" means every kind of investment, in the territory of one Party owned or controlled by nationals or companies of the other Party, such as equity, debt, service and investment contracts, and includes, without limitation:

(i) Any kind of property including moveable and immoveable property, tangible and intangible property, and including property rights such as mortgages, liens and pledges;

(ii) Any interests in a company including shares of stock, management or operating rights, or interests in the assets of a company;

(iii) A claim to money or a claim to performance having economic value, and associated with an investment;

(iv) Intellectual property which includes, inter alia, rights relating to:

Literary and artistic works, including sound recordings,

Inventions in all fields of human endeavor,

Industrial designs,

Integrated circuit layout designs,

Know-how, trade secrets, and confidential business information, and

Trademarks, service marks, and trade names; and

(v) Any right conferred by law or contract relating to an investment, or by virtue of any licenses and permits pursuant to law;

(d) "return" means an amount derived from or associated with an investment, including profit; dividend; interest; capital gain; royalty payment; management, technical assistance or other fee; or returns in kind, such as in the form of goods or services;

(e) "associated activities" include the organization, control, operation, maintenance and disposition of companies, branches, agencies, offices, factories or other facilities for the conduct of business; the making, performance and enforcement of contracts; the acquisition, use, protection and disposition of property of all kinds including intellectual property; the borrowing of funds; the purchase, issuance and sale of equity shares and other securities; and the purchase of foreign exchange for imports. "Associated activities" also include, without limitation:

(i) The granting of franchises or rights under licenses;

(ii) The receipt of registrations, licenses, permits and other approvals necessary for the conduct of commercial activity (which shall in any event be issued expeditiously, as provided for in the legislation of the Parties);

(iii) Access to financial institutions in any currency, and to credit and currency markets;

(iv) Access to funds held in financial institutions;

(v) The importation and installation of equipment necessary for the normal conduct of business affairs, including, but not limited to, office equipment and automobiles, and the export of any equipment and automobiles so imported;

(vi) The dissemination of commercial information;

(vii) The conduct of market studies;

(viii) The appointment of commercial representatives, including agents, consultants, and distributors (i.e., mediators in the distribution of products which they themselves did not produce), and the serving as the same, and their participation in trade fairs and other promotional events;

(ix) The marketing of goods and services, including through internal distribution and marketing systems, as well as by advertising and direct contact with nationals and companies; and

(x) Payment for goods and services in local currency;

(f) "investment agreement" means an agreement between a Party for its agencies or instrumentalities) and a national or company of the other Party concerning an investment;

(g) "nondiscriminatory treatment" means treatment that is at least as favorable as the better of national treatment or most-favored-nation treatment;

(h) "national treatment" means treatment that is at least as favorable as the better of the most favorable treatment accorded by a Party to state enterprises or to other companies or nationals of that Party in like circumstances;

(i) "most-favored-nation treatment" means treatment that is at least as favorable as that accorded by a Party to companies or nationals of third countries in like circumstances.

2. Any alteration of the form in which assets are invested or reinvested shall not affect their character as investment.

3. Each Party reserves the right to deny to a company of the other Party the advantages of this Treaty If (a)(i) nationals of any third country control such company and (ii) that company has no substantial business activities in the territory of the other Party, or (b) such company is controlled by nationals of a third country with which the denying party does not maintain normal economic relations.

Article II.

1. Each Party shall permit and treat investment, and activities associated therewith, on a nondiscriminatory basis, subject to the right of each Party to make or maintain exceptions falling within one of the sectors or matters listed in the Annex to this Treaty. Each Party agrees to notify the other Party before or on the date of entry into force of this Treaty of all such laws and regulations of which it is aware concerning the sectors or matters listed in the Annex. Moreover, each Party agrees to notify the other of any future exception with respect to the sectors or matters listed in the Annex, and to limit such exceptions to a

minimum. Any future exception by either Party shall not apply to investment existing in that sector or matter at the time the exception becomes effective. The treatment accorded pursuant to any exception to national treatment shall, except as stated otherwise in the Annex, not be less favorable than that accorded in like situations to investments and associated activities of nationals or companies of any third country.

2.

(a) Investment shall at all times be accorded fair and equitable treatment, shall enjoy full protection and security, and shall in no case be accorded treatment inconsistent with the norms and principles of international law.

(b) Neither Party shall in any way impair by arbitrary or discriminatory measures the management, operation, maintenance, use, enjoyment, acquisition, expansion, or disposition of investments. For purposes of dispute resolution under Articles VI and VII, a particular measure may be found to be arbitrary or discriminatory notwithstanding the fact that a party to the dispute has had or exercised the opportunity to review such measure in the courts or administrative tribunals of a Party.

(c) Each Party shall observe any obligation it may have entered into with regard to investments of nationals or companies of the other Party.

3. Subject to the laws relating to the entry and sojourn of aliens, nationals of either Party shall be permitted to enter and to remain in the territory of the other Party for the purpose of establishing, developing, administering, or advising on the operation of an investment to which they, or a company of the first Party that employs them, have committed or are in the process of committing a substantial amount of capital or other resources.

4. Companies which are legally constituted under the applicable laws or regulations of one Party, and which are owned or controlled by nationals or companies of the other Party, shall be permitted to engage top managerial personnel of their choice, regardless of nationality.

5. Neither Party shall impose any measure as a condition of establishment, expansion, or maintenance of investments, which requires or enforces commitments to export goods produced, or which specify that goods or services must be purchased locally, or which impose any other similar requirements.

6. Each Party shall provide effective means of asserting claims and enforcing rights with respect to investments and authorizations relating thereto and investment agreements.

7. Each Party shall make public in the customary form all laws, regulations, administrative practices and procedures, and adjudicatory decisions that pertain to or affect investments.

8. The treatment accorded by the United States of America to investments and associated activities under the provisions of this Article shall in any State, Territory, or possession of the United States of America be no less favorable than the treatment accorded therein to investments and associated activities of nationals of the United States of America resident in, and companies legally constituted under the laws and regulations of, other States, Territories, or possessions of the United States of America.

9. The obligations to accord most-favored-nation treatment under this Treaty shall not apply to advantages accorded by either Party to nationals or companies of any third country by virtue of that Party's binding obligations that derive from full membership in any existing or future free trade area or customs union.

Article III.

1. Investments shall not be expropriated or nationalized either directly or indirectly through measures tantamount to expropriation or nationalization ("expropriation") except for a public purpose; in a nondiscriminatory menner; upon payment of prompt, adequate and effective compensation; and in accordance with due process of law and the general principles of treatment provided for in Article II, paragraph 2. Compensation shall be equivalent to the fair market value of the expropriated investment immediately before the expropriatory action was taken or became known, whichever is earlier; be paid without delay; include interest from the date of expropriation at a commercial rate established on a market basis; be fully realizable; and be freely transferable at the market rate of exchange existing on the date of expropriation.

2. Consistent with Article VI, paragraph 3, a national or company of either 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 Party to determine whether any such expropriation has occurred and, if so, whether such expropriation, and any compensation therefor, conforms to the principles of international law, and to decide all other matters relating thereto.

3. Nationals or companies of either Party whose investments suffer losses in the territory of the other Party owing to war or

other armed conflict, revolution, state of national emergency, insurrection, civil disturbance, or other similar situations shall be accorded nondiscriminatory treatment by such other Party as regards restitution, indemnification, compensation, or any other measures it adopts in relation to such losses.

Article IV.

1. Each Party shall permit all transfers related to an investment to be made freely and without delay into and out of its territory. Such transfers include: (a) returns; (b) compensation pursuant to Article III; (c) payments arising out of an investment dispute (as defined in Article VI); (d) payments made under a contract, including amortization of principal and accrued interest payments made pursuant to a loan agreement; (e) proceeds from the sale or liquidation of all or any part of an investment; and (f) additional contributions to capital for the maintenance or development of an existing investment. Companies or nationals of each Party shall be permitted to convert such transfers into the freely convertible currency of their choice.

2. Transfers shall be made in a freely convertible currency and, except as provided in Article III, paragraph 1, at the market rate of exchange on the date of transfer with respect to spot transactions in the currency to be transferred.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, either Party may:

(a) Maintain laws and regulations requiring reports of currency transfer and imposing income taxes by such means as a withholding tax applicable to dividends or other transfers; and

(b) Protect the rights of creditors, or ensure the satisfaction of judgments in adjudicatory proceedings, through the equitable, nondiscriminatory and good faith application of its law.

Article V.

The Parties agree to consult promptly, on the request of either, to resolve any disputes in connection with the Treaty, or to discuss any matter relating to the interpretation or application of the Treaty.

Article VI.

1. For the purposes of this Article, an investment dispute is defined as a dispute involving (a) the interpretation or application of an investment agreement; (b) the interpretation or application of any authorization granted by a Party's foreign investment authority; or (c) the existence and consequences of an alleged breach of any right conferred or created by this Treaty with respect to an investment.

2. In the event of an investment dispute between a Party and a national or company of the other Party, the parties to the dispute shall initially seek to resolve the dispute by consultation and negotiation, which may include the use of non-binding, third party procedures. Subject to paragraph 3 of this Article, if the dispute cannot be resolved through consultation and negotiation, the dispute shall be submitted for settlement in accordance with previously agreed, applicable dispute-settlement procedures; any dispute-settlement procedures, including those relating to expropriation, specified in the investment agreement shall remain binding and shall be enforceable in accordance with the terms of the investment agreement, relevant provisions of domestic laws, and applicable international agreements regarding enforcement of arbitral awards.

3.

(a) At any time after six months from the date on which the dispute arose, a national or company of a Party may choose to consent in writing to the submission of an investment dispute to the International Centre for the Settlement of Investment Disputes (the "Centre"), in the event that the Russian Federation becomes a party to the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States done at Washington, March 18, 1965 (the "Convention"); or to the Additional Facility of the Centre, if either Party is not a party to the convention; or pursuant to the Arbitration Rules of the United Nations Commission on International Trade Law ("UNCITRAL RULES"); or pursuant to the arbitration rules of any arbitral institution mutually agreed between the parties to the dispute. Once the national or company concerned has so consented, either party to the dispute may institute such proceeding provided:

(i) The dispute has not been submitted by the national or company for resolution in accordance with any applicable previously agreed dispute-settlement procedures; and

(ii) The national or company concerned has not brought the dispute before the courts of justice or administrative tribunals or agencies of competent jurisdiction of the Party that is a party to the dispute.

If the parties disagree over whether conciliation or binding arbitration is the more appropriate procedure to be employed, the opinion of the national or company concerned shall prevail.

(b) Each Party hereby consents to the submission of an investment dispute for settlement by conciliation or binding arbitration:

(i) To the Centre and to the Additional Facility of the Centre; and

(ii) To an arbitral tribunal established under the UNCITRAL Rules, as those Rules may be modified by mutual agreement of the parties to the dispute (the Appointing Authority referenced therein to be the Secretary-General of the Centre).

(c) Conciliation or arbitration of disputes under subparagraph (b)(i) of this paragraph 3 shall be done applying the provisions of the Convention and the Regulations and Rules of the Centre, or of the Additional Facility as the case may be.

(d) The place of any arbitration conducted under this Article shall be a country which is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York, June 10, 1958.

(e) Each Party undertakes to carry out without delay the provisions of any award resulting from an arbitration held in accordance with this Article. Further, each Party shall provide for the enforcement in its territory of such arbitral awards.

4. In any proceeding involving an investment dispute, a Party shall not assert, as defense, counter-claim, right of set-off or otherwise, that the national or company concerned has received or will receive, pursuant to an insurance or guarantee contract, indemnification or other compensation for all or part of its alleged damages.

Article VII.

1. Any dispute between the Parties concerning the interpretation or application of the Treaty which is not resolved through consultations or other diplomatic channels, shall be submitted, upon the request of either Party, to an arbitral tribunal for binding decision in accordance with the applicable rules of international law. In the absence of an agreement by the Parties to the contrary, the UNCITRAL Rules, except to the extent modified by the Parties, shall govern.

2. Within two months of receipt of a request, each Party shall appoint an arbitrator. The two arbitrators shall select a third arbitrator as Chairman, who is a national of a third State. The UNCITRAL Rules for appointing members of three member panels shall apply to the appointment of the arbitral panel, except that the appointing authority referenced in those rules shall be the Secretary-General of the Permanent Court of Arbitration.

3. Unless otherwise agreed, all submissions shall be made and all hearings shall be completed within six months of the date of selection of the third arbitrator, and the Tribunal shall render its decisions within two months of the date of the final submissions or the date of the closing of the hearings, whichever is later.

4. Expenses of the Chairman, the other arbitrators, and other costs of the proceedings shall be paid for equally by the Parties. The Tribunal may, however, at its discretion, direct that a higher proportion of the costs be paid by one of the Parties.

Article VIII.

The provisions of Article VI and VII shall not apply to a dispute arising

(a) Under the export credit, guarantee, or insurance programs of the Export-Import Bank of the United States, or

(b) Under other governmental credit, guarantee, or insurance programs of either Party, pursuant to which the parties to the dispute have agreed to other means of settling disputes.

Article IX.

This Treaty shall not derogate from

(a) Laws and regulations, administrative practices or procedures, or administrative or adjudicatory decisions of either party,

(b) International obligations, or

(c) Obligations assumed by either Party, including those contained in an investment agreement or an investment authorization,

That entitle investments or associated activities to treatment more favorable than that accorded by this Treaty in like situations.

Article X.

1. This Treaty shall not preclude the application by either Party of measures necessary for the maintenance of public order, the fulfillment of its obligations with respect to the maintenance or restoration of international peace of security, or the protection of its own essential security interests.

2. This Treaty shall not preclude either Party from prescribing special formalities in connection with the establishment of investments, but such formalities shall not impair the substance of any of the rights set forth in this Treaty.

Article XI.

1. Each Party shall strive to accord fair and equitable treatment with respect to taxation of the investments of nationals and companies of the other Party. The Parties shall encourage their respective nationals and companies to avail themselves of the competent authority procedures under any convention for the avoidance of double taxation between the Parties for the resolution of any dispute concerning taxes.

2. The provisions of this Treaty (including Article II) shall not apply to taxes, except as follows. Articles III, IV and VI may apply to taxes imposed by a Party, but only if such taxes either:

(a) Have an effect equivalent to expropriation under Article III, or affect a Party's obligations under Article IV; or

(b) Affect a Party's observance and enforcement of the terms of an investment agreement or authorization granted by a Party's foreign investment authority.

3. The provisions of Article VI shall, however, not apply if the dispute concerning matters mentioned in paragraph 2(a) and (b) of this Article is subject to the dispute settlement provisions of a convention for the avoidance of double taxation between the Parties and has been settled in a reasonable period of time.

Article XII.

This Treaty shall apply to the political subdivisions of the Parties.

Article XIII.

1. This Treaty shall enter into force thirty days after the date of exchange of instruments of ratification. It shall remain in force for a period of ten years and shall continue in force unless terminated in accordance with paragraph 2 of this Article. It shall apply to investments existing at the time of entry into force as well as to investments made thereafter.

2. Either Party may, by giving at least one year's written notice to the other Party, terminate this Treaty at the end of the initial ten year period or at any time thereafter.

3. With respect to investments made prior to the date of termination of this Treaty and to which this Treaty otherwise applies, the provisions of all of the other Articles of this Treaty shall thereafter continue to be effective for a further period of ten years from such date of termination.

4. The Annex and Protocol shall form an integral part of the Treaty.

DONE in duplicate at Washington on the seventeenth day of June, 1992, in the English and Russian languages, both texts being equally authentic.

FOR THE UNITED STATES OF AMERICA>

FOR THE RUSSIAN FEDERATION