

# **AGREEMENT BETWEEN THE GOVERNMENT OF THE STATE OF ISRAEL AND THE GOVERNMENT OF THE REPUBLIC OF EL SALVADOR FOR THE RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENTS**

The Government of the State of Israel and the Government of the Republic of El Salvador (hereinafter referred to as "Contracting Parties"),

DESIRING to intensify economic cooperation to the mutual benefit of both countries,

INTENDING to create favorable conditions for greater investments by investors of either Contracting Party in the territory of the other Contracting Party, and

RECOGNIZING that reciprocal promotion and protection of investments on the basis of the present Agreement will be conducive to the stimulation of individual business initiative and will increase prosperity in both States,

HAVE AGREED as follows :

## **Article 1. Definitions**

For the purposes of the present Agreement:

1. The term "investments" shall comprise any kind of assets, implemented in accordance with the laws and regulations of the Contracting Party in whose territory the investment is made, including, but not limited to : (a) Movable and immovable property, as well as any other rights in rem, in respect of every kind of asset;  
  
(b) Rights derived from shares, bonds and other kinds of interests in companies including debentures of companies or any other form of participation in a company constituted and organized in accordance with the legislation of the other Party;  
  
(c) Claims to money, and other assets destined to create an economic value;  
  
(d) Intellectual property rights, including copyrights, performers rights, inventions, patents, designs, technical processes, trade marks, trade-names, know-how and good-will.  
  
(e) Business concessions conferred by law or under contract, including concessions to search for, cultivate, extract or exploit natural resources.
2. A change in the form in which assets are invested or reinvested, in accordance with the laws and regulations of the Contracting Party in whose territory the investment is made does not affect their character as investments within the meaning of this Agreement.
3. The term "investor" shall comprise : (a) Natural persons who are nationals or permanent residents of the Contracting Party concerned who are not also nationals of the other Contracting Party, or  
  
(b) Companies including corporations, firms or associations incorporated or constituted in accordance with the law of the Contracting Party concerned.
4. The term "returns" shall comprise the amount yielded by an investment including, but not limited to : dividends, profits, sums received from the total or partial liquidation of an investment, interest, capital gains, royalties or fees.
5. The term "territory" shall mean : With respect to the State of Israel: the territory including the territorial sea, as well as the continental shelf and the exclusive economic zone over which the State of Israel exercises sovereign rights or jurisdiction in conformity with international law.  
  
With respect to the Republic of El Salvador: the terrestrial, maritime and aerial space under the sovereignty and jurisdiction

of the Republic of El Salvador, in accordance with its legislation and international law.

6. The term "freely usable currency" shall mean a currency that the International Monetary Fund determines, from time to time, as a freely usable currency in accordance with the Articles of Agreement of the International Monetary Fund and Amendments thereto.

## **Article 2. Promotion and Protection of Investments**

1. Each Contracting Party shall, in its territory, encourage and create favorable conditions for investments by investors of the other Contracting Party and, subject to its right to exercise the powers conferred by its laws, shall admit such investments.

2. Investments made by investors of each Contracting Party shall be accorded fair and equitable treatment and shall enjoy full protection and security in the territory of the other Contracting Party, in accordance with its laws and regulations. Neither Contracting Party shall in any way impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment of investments in its territory of investors of the other Contracting Party. Returns obtained of one investment as well as the returns obtained of the reinvestments, shall be equally protected.

## **Article 3. Most Favored Nation and National Treatment**

1. Neither Contracting Party shall, in its territory, subject investments or returns of investors of the other Contracting Party to treatment less favorable than that which it accords to investments or returns of its own investors or investments or returns of investors of any third State.

2. Neither Contracting Party shall, in its territory, subject investors of the other Contracting Party, as regards their management, maintenance, use, enjoyment or disposal of their investments, to treatment less favorable than that which it accords to its own investors or to investors of any third State.

## **Article 4. Compensation for Losses**

1. Investors of one Contracting Party whose investments in the territory of the other Contracting Party suffer losses owing to war or other armed conflict, revolution, a state of national emergency, revolt, insurrection, riot or other such similar activity in the territory of the latter Contracting Party shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation or other settlement, no less favorable than that which the latter Contracting Party accords to its own investors or to investors of any third State. Resulting payments shall be freely transferable.

2. Without prejudice to paragraph (1) of this Article, investors of one Contracting Party who, in any of the situations referred to in that paragraph, suffer losses in the territory of the other Contracting Party resulting from :

a) Requisitioning of their property by its forces or authorities, or

b) Destruction of their property by its forces or authorities, which was not caused in combat action or was not required by the necessity of the situation.

Shall be accorded restitution or adequate compensation, no less favorable than that which the latter Party accords to its own investors or to investors of any other third State. Resulting payments shall be freely transferable.

## **Article 5. Expropriation**

Investments of investors of either Contracting Party shall not be nationalized, expropriated or subjected to measures having effect equivalent to nationalization or expropriation (hereinafter : "expropriation") in the territory of the other Contracting Party, except for a purpose or interest as stipulated by law, related to the internal needs of that Contracting Party on a non-discriminatory basis and against prompt, adequate and effective compensation. Such compensation shall amount to the market value of the investment expropriated immediately before the expropriation or before the impending expropriation became public knowledge, whichever is the earlier, shall include interest, in the case of Israel, at the applicable rate provided by its law, and in the case of the Republic of El Salvador, at the banking rate, from the date of expropriation until the date of payment, shall be made without delay, be effectively realizable and be freely transferable. The investors affected shall have a right, under the law of the Contracting Party making the expropriation, to prompt review, by a judicial or other independent authority of that Contracting Party, of his or its case and of the valuation of his or its investment, in accordance with the principles set out in this paragraph.

## **Article 6. Repatriation of Investments and Returns**

Each Contracting Party shall, in respect of investments, guarantee to investors of the other Contracting Party the rights and benefits regarding the unrestricted transfer of their investments and returns in accordance with the following terms :

1. Transfers shall be effected without delay in the freely usable currency in which the capital was originally invested or in any other freely usable currency agreed by the investor and the Contracting Party concerned, provided that the investor has complied with all his fiscal obligations that the repatriation is in accordance with the exchange regulations established by the Contracting Party in whose territory the investment was made.
2. In the event the exchange regulations of one Contracting Party are modified, that Contracting Party guarantees that such modifications shall not adversely affect the rights to repatriate investments and returns, as were in force at the time the investment was made.
3. Unless otherwise agreed by the investor, transfers shall be made at the rate of exchange applicable on the date of transfer pursuant to the exchange regulations in force.

## **Article 7. Exceptions**

The provisions of this agreement relative to the grant of treatment not less favorable than that accorded to the investors of either Contracting Party or of any third State shall not be construed so as to oblige one Contracting Party to extend to the investors of the other the benefit of any treatment, preference or privilege resulting from :

- (a) Any International Agreement or arrangement relating wholly or mainly to taxation or any domestic legislation relating wholly or mainly to taxation.
- (b) Any existing or future customs union, Free Trade Area Agreement or similar International Agreement to which either Contracting Party is or may become a party;
- (c) The definition of "investment" (Article 1, paragraph 1) and the reference to "reinvestment"(Article 1, paragraph 2) and the provisions of Article 6 contained in Agreements for the Promotion and the Reciprocal Protection of Investments entered into by the State of Israel prior to January 1,1992.

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

1. Any dispute which may arise between an investor of one Contracting Party and the other Contracting Party in connection with an investment made in the territory of the latter shall, as far as possible, be settled by means of amicable consultations between the parties to the dispute.
2. If any such dispute cannot thus be settled within a period of six (6) months from notification of the dispute the investor shall be entitled to submit the dispute to:
  - a) The international Center for the Settlement of Investment Disputes (ICSID) having regard to the applicable provisions of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, opened for signature at Washington D.C, on March 1965 (in case both Parties are parties to the Convention).
  - b) An arbitrator or international ad hoc tribunal may be agreed to by the parties to the dispute. The arbitration tribunal shall be established in accordance with the principles outlined in Article 9 of this Agreement.
3. All arbitration awards shall be final and binding on the parties to the dispute.
4. All sums received or payable as a result of a settlement shall be freely transferable in a freely usable currency.

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

1. Disputes between the Contracting Parties concerning the interpretation or application of this Agreement should, if possible be settled through the diplomatic channel, which may include, if both Contracting Parties so desire, referral to a Bilateral Commission composed of representatives of both Contracting Parties.
2. If a dispute between the Contracting Parties cannot be settled within six (6) months from notification of the dispute, it shall, upon the request of either Contracting Party, be submitted to an arbitration tribunal.
3. Such an arbitral tribunal shall be constituted for each individual case in the following way : within two months of the

receipt of the request for arbitration, each Contracting Party shall appoint one member of the tribunal. These two members shall then select a national of a third State who, on approval by the two Contracting Parties, shall be appointed Chairman of the tribunal. The Chairman shall be appointed within two months from the date of appointment of the other two members.

4. If within the periods specified in paragraph (3) of this Article, the necessary appointments have not been made, either Contracting Party may, in the absence of any other agreement, invite the Secretary General of the Permanent Court of Arbitration at the Hague (hereinafter : the "PCA") to make any necessary appointments. If the Secretary General of the PCA is a national of either Contracting Party or is otherwise prevented from discharging the said function, then the Deputy Secretary General of the PCA who is not a national of either Contracting Party shall be invited to make the necessary appointments.

5. The arbitral tribunal shall reach its decision by a majority of votes. Such decision shall be binding on both Contracting Parties. Each Contracting Party shall bear the cost of its own member of the tribunal and of its representation in the arbitral proceedings; the cost of the Chairman and the remaining cost shall be borne in equal parts by the Contracting Parties. The tribunal shall determine its own procedure.

6. The chairman of the Arbitral Tribunal shall be a national of a State with which both Parties maintain diplomatic relations.

## **Article 10. Subrogation**

1. If one Contracting Party or its designated Agency (hereinafter: the "First Contracting Party") makes a payment under an indemnity given in respect of an investment in the territory of the other Contracting Party (hereinafter : 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, and shall assume the obligations related to the investment.

2. The First Contracting Party shall be entitled in all circumstances to:

(a) The same treatment in respect of the rights, claims and obligations acquired by it, by virtue of the assignment; and

(b) Any payments received in pursuance of those rights and claims, as the party indemnified was entitled to receive by virtue of this Agreement, in respect of the investment concerned and its related returns.

## **Article 11. Entry and Sojourn of Personnel**

Each Contracting Party shall, subject to and in accordance with its laws, regulations and related procedures thereunder, consider favorably questions concerning entry, stay and work in its territory of nationals of the other Contracting Party who carry out activities connected with investments, as defined in this Agreement, such as establishing, development, management or assessment of the function of an investment.

## **Article 12. Application of other Rules**

If the provisions of law of either Contracting Party or obligations under international law existing at present or established hereafter between the Contracting Parties in addition to the present Agreement contain rules, whether general or specific, entitling investments by investors of one Contracting Party to a treatment more favorable than is provided for by the present Agreement, such rules shall, to the extent that they are more favorable, prevail over the present Agreement.

## **Article 13. Application of the Agreement**

The provisions of this Agreement shall apply to investments made on or before the entry into force of this Agreement, but shall not apply to any dispute that arose before its entry into force.

## **Article 14. Entry Into Force**

Each Contracting Party shall notify the other Contracting Party in writing through the diplomatic channel of the completion of its internal legal procedures required for the entry into force of this Agreement. This Agreement shall enter into force on the date of the latter notification.

## **Article 15. Duration and Termination**

This Agreement shall remain in force for a period of ten (10) years. Thereafter it shall continue in force until the expiration of twelve (12) months from the date on which either Party shall have given written notice of termination to the other. In respect of investments made while this Agreement is in force, its provisions shall continue in effect with respect to such investments for a period of ten (10) years after the date of termination and without prejudice to the application thereafter of the rules of general international law.

In witness whereof the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

DONE at Jerusalem, this 3<sup>rd</sup> day of April, 2000, which corresponds to the 27<sup>th</sup> day of Adar (B), 5760, in duplicate in the , Hebrew, Spanish and English languages, all texts being equally authentic. In case of differences in interpretation the English text shall prevail.

FOR THE GOVERNMENT OF THE STATE OF ISRAEL

FOR THE GOVERNMENT OF THE REPUBLIC OF EL SALVADOR