

**AGREEMENT
BETWEEN THE GOVERNMENT OF UKRAINE AND THE
GOVERNMENT OF THE REPUBLIC OF LATVIA FOR THE PROMOTION
AND RECIPROCAL PROTECTION OF INVESTMENTS**

The Government of Ukraine and the Government of the Republic of Latvia (hereinafter referred to as the "Contracting Parties"),

Desiring to intensify economic cooperation to the mutual benefit of both States,

Intending to create and maintain favourable conditions for investments of investors of one State in the territory of the other State,

Conscious that the promotion and reciprocal protection of investments, according to the present Agreement, stimulates the business initiatives in this field,

Have agreed as follows:

**ARTICLE 1
DEFINITIONS**

For the purposes of this Agreement:

The term "investment" shall comprise every kind of asset invested in connection with economic activities by an investor of one Contracting Party in the territory of the other Contracting Party in accordance with the laws and regulations of the latter and shall include, in particular, though not exclusively:

/a/ movable and immovable property as well as any other property rights in rem such as mortgages, liens, pledges, and similar rights;

/b/ shares, stocks and debentures of companies or any other form of participation in a company;

/c/ claims to money or to any performance having an economic value associated with an investment;

/d/ intellectual property rights, including copyrights, trade and service marks, patents, industrial designs, technical processes, know-how, trade secrets, trade names and goodwill associated with an investment;

/e/ any right conferred by law or under contract and any licenses and permits pursuant to law, including the concessions to search for, extract, cultivate or exploit natural resources.

Any alteration of the form in which assets are invested shall not affect their character as investment provided that such an alteration is made in accordance with the laws of the Contracting Party in the territory of which the investment has been made.

2. The term "Investor" shall mean any natural or legal person who invests in the territory of the other Contracting Party.

a/ The term "natural person" shall mean any natural person having the nationality of either Contracting Party in accordance with its laws;

b/ The term "legal person" shall mean with respect to either Contracting Party, any entity incorporated or constituted in accordance with, and recognized as legal person by its laws.

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

4. The term "territory" shall mean:

a/ in the case of Ukraine, the territory under its sovereignty and the sea and submarine areas over which the Ukraine exercises, in conformity with international law, sovereignty, sovereign rights or jurisdiction.

b/ in the case of the Republic of Latvia, the territory of the Republic of Latvia including the territorial sea, as well as any maritime area beyond that where the Republic of Latvia in conformity with international law exercises sovereign rights with regard to the seabed and subsoil and the natural resources of such areas.

ARTICLE 2 PROMOTION AND PROTECTION OF INVESTMENTS

1. Each Contracting Party shall encourage and create favourable conditions in its territory for investments of investors of the other Contracting Party and, shall admit such investments, in accordance with its laws and regulations.

2. Investments of investors of either Contracting Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection and security in the territory of the other Contracting Party.

ARTICLE 3 NATIONAL AND MOST-FAVOURLED-NATION TREATMENT

1. Each Contracting Party shall in its territory accord investments and returns of investors of the other Contracting Party treatment which is fair and equitable and not less favourable than that

which it accords to investments and returns of its own investors or to investments and returns of investors of any third State whichever is more favourable.

2. Each Contracting Party shall in its territory accord to investors of the other Contracting Party, as regards management, maintenance, use, enjoyment or disposal of their investment, treatment which is fair and equitable and not less favourable than that which it accords to its own investors or of any third State, whichever is more favourable.

3. The provisions of the present Agreement 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 which may be extended by the former Contracting Party by virtue of:

/a/ any customs union or free trade area or a monetary union or similar international agreements leading to such unions or institutions or other forms of regional cooperation to which either of the Contracting Party is or may become a Party;

/b/ any international agreement or arrangement relating wholly or mainly to taxation .

ARTICLE 4 COMPENSATION FOR LOSSES

1. When investments by investors of either Contracting Party suffer losses owing to war, armed conflict, a state of national emergency, revolt, insurrection, riot or other similar events in the territory of the other Contracting Party, they shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation or other settlement, not less favourable than that which the latter Contracting Party accords to its own investors or to investors of any third State.

2. Without prejudice to paragraph 1 of this Article, investors of one Contracting Party who in any of the events 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,

/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 just and adequate compensation for the losses sustained during the period of the requisitioning or as a result of the destruction of the property. Resulting payments shall be freely transferable in freely convertible currency without delay.

ARTICLE 5 EXPROPRIATION

1. Investments of investors of either Contracting Party shall not be nationalised, expropriated or subjected to measures having effect equivalent to nationalisation or expropriation (hereinafter referred to as "expropriation") in the territory of the other Contracting Party except for a public purpose. The expropriation shall be carried out under due process of law, on a non-discriminatory basis and shall be accompanied by provisions for the payment of prompt, adequate and effective compensation. Such compensation shall amount to the market value of the investment expropriated immediately before expropriation or the impending expropriation become public knowledge. The compensation shall include interest calculated on the LIBOR basis from the date of expropriation, shall be made without delay, shall be effectively realizable and shall be freely transferable in freely convertible currency.

2. The investor 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 Party, of its case and of the valuation of its investment in accordance with the principles set out in this Article.

3. The provisions of paragraph 1 of this Article shall also apply where a Contracting Party expropriates the assets of a company which is incorporated or constituted under the law in force in any part of its own territory, and in which investors of the other Contracting Party own shares.

ARTICLE 6 TRANSFERS

1. The Contracting Parties shall guarantee the free transfer of payments related to investments and returns. The transfers shall be made in a freely convertible currency, without any restriction and undue delay. Such transfers shall include in particular, though not exclusively:

/a/ capital and additional amounts to maintain or increase the investment,

/b/ profits, interest, dividends and other current income;

/c/ funds in repayment of loans;

/d/ royalties or fees;

/e/ proceeds of sale or liquidation of the investment;

/f/ the earnings of natural persons subject to the laws and regulations of that Contracting Party where investments have been made;

/g/ compensations provided for in Article 4 and 5.

2. For the purpose of this Agreement, the exchange rate shall be the prevailing commercial rate effective for current transactions at the date of transfer, unless otherwise agreed.

3. Transfers shall be considered to have been made without any "undue delay" in the sense of paragraph 1 of this Article when they have been made within the period normally necessary for the completion of the transfer. Such period shall under no circumstances exceed three months.

ARTICLE 7 SUBROGATION

1. If a Contracting Party or its designated agency makes payment to its own investors under a guarantee it has accorded in respect of an investment in the territory of the other Contracting Party, the latter Contracting Party shall recognize:

/a/ the assignment, whether under the law or pursuant to a legal transaction in that country, of any right or claim by the investor to the former Contracting Party or its designated agency, as well as,

/b/ that the former Contracting Party or its designated agency is entitled by virtue of subrogation to exercise the rights and enforce the claims of that investor and shall assume the obligations related to the investment.

2. The subrogated rights or claims shall not exceed the original rights or claims of the investor.

ARTICLE 8 SETTLEMENT OF INVESTMENT DISPUTES BETWEEN A CONTRACTING PARTY AND AN INVESTOR OF THE OTHER CONTRACTING PARTY

1. Any dispute which may arise between an investor of one Contracting Party and the other Contracting Party in connection with an investment on the territory of that other Contracting Party shall be subject to negotiations between the parties to the dispute.

2. If any dispute between an investor of one Contracting Party and the other Contracting Party cannot be thus settled within a period of six months from the date of written notification of a claim, the investor shall be entitled to submit the case either to:

/a/ The International Centre for 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 18 March 1965, in the event both Contracting Parties shall have become a party to this Convention; or

/b/ an arbitrator or international ad hoc arbitral tribunal established under the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL). The parties to the dispute may agree in writing to modify these Rules.

3. Any dispute which is referred to ad-hoc arbitration in accordance with paragraph 2(b) above shall be decided in accordance with the provisions of this Agreement and where this Agreement does not so provide, in accordance with generally recognised principles of international law.

4. The arbitral awards shall be final and binding on both Parties to the dispute.

ARTICLE 9 SETTLEMENT OF DISPUTES BETWEEN THE CONTRACTING PARTIES

1. Disputes between the Contracting Parties concerning the interpretation or application of this Agreement shall, if possible, be settled through consultation or negotiation.

2. If the dispute cannot be thus settled within six months, it shall upon the request of either Contracting Party, be submitted to an Arbitral Tribunal in accordance with the provisions of this Article.

3. The 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 of the two Contracting Parties shall be appointed Chairman of the Tribunal (hereinafter referred to as the "Chairman"). The Chairman shall be appointed within three 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, a request may be made to the President of the International Court of Justice to make the appointments. If he happens to be a national of either Contracting Party, or if he is otherwise prevented from discharging the said function, the

Vice-President shall be invited to make the appointments. If the Vice-President also happens to be a national of either Contracting Party or is prevented from discharging the said function, the member of the International Court of Justice next in seniority who is not a national of either Contracting Party shall be invited to make the 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 its representation in the arbitral proceedings; the cost of the Chairman and the remaining costs shall be borne in equal parts by both Contracting Parties. The Arbitral Tribunal may, however, in its decision direct that a higher proportion of costs shall be borne by one of the two Contracting Parties, and this award shall be binding on both Contracting Party. The Arbitral Tribunal shall determine its own procedure.

ARTICLE 10

APPLICATION OF OTHER RULES AND SPECIAL COMMITMENTS

1. Where a matter is governed simultaneously both by this Agreement and by another international agreement to which both Contracting Parties are parties, nothing in this Agreement shall prevent either Contracting Party or any of its investors who own investments in the territory of the other Contracting Party from taking advantage of whichever rules are more favourable to his case.

2. If this treatment to be accorded by one Contracting Party to investors of the other Contracting Party in accordance with its laws and regulations or other specific provisions of contracts is more favourable than that accorded by the Agreement, the more favourable shall be accorded.

ARTICLE 11

APPLICABILITY OF THIS AGREEMENT

The provisions of this Agreement shall apply to future investments made by investors of one Contracting Party in the territory of the other Contracting Party, and also to the existing investments in accordance with the laws and regulations of the Contracting Parties on the date of this Agreement comes into force, but shall not apply to any dispute concerning an investment which arose, or any claim which was settled, before its entry into force.

ARTICLE 12

ENTRY INTO FORCE, DURATION AND TERMINATION

1. Each of the Contracting Parties shall notify the other in writing of the completion of the constitutional formalities required in its territory for the entry into force of this Agreement. This Agreement shall enter into force on the date of the second notification.

2. This Agreement shall remain in force for a period of ten years. Thereafter it shall continue to be in force until the expiration of twelve months from the date on which either Contracting Parties shall have given written notice of termination to the other.

3. In respect of investments made prior to the termination of this Agreement, its provisions shall continue in effect with respect to such investments for a period of ten 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 in duplicate at _____, this _____ day of _____, 1997, in Ukrainian, Latvian and English languages, all texts being equally authentic. In case of any divergence of interpretation, the English text shall prevail.

**FOR THE GOVERNMENT
OF UKRAINE**



**FOR THE GOVERNMENT OF
THE REPUBLIC OF LATVIA**

