

# AGREEMENT

BETWEEN THE GOVERNMENT OF THE FRENCH REPUBLIC AND THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS REGARDING THE RECIPROCAL PROMOTION AND PROTECTION OF INVESTMENTS (COLLECTIVELY AN INTERPRETATIVE EXCHANGE OF LETTERS)

The Government of the French Republic and the Government of the Union of Soviet Socialist Republics hereinafter referred to as “Contracting Parties”;

Wishing to strengthen the economic and commercial ties as well as the scientific and technical cooperation between the two States in their mutual interest and to create favorable conditions for French investments in the Union of Soviet Socialist Republics and Soviet investments in France;

Convinced that the reciprocal promotion and protection of these investments are apt to stimulate the transfer of capital and the exchange of leading-edge technologies between the two States in the interest of their economic development,

have agreed as follows:

## Article 1

For the purposes of this Agreement:

1. The term “investment” shall mean assets such as goods and rights of any kind, and more specifically but not exclusively:

- a)* Movable and immovable assets and rights in rem;
- b)* Shares and other forms of equity in companies established on the territory of one of the Contracting Parties, as well as all rights deriving from them;
- c)* Obligations, claims, and rights to all goods and services having economic value;
- d)* Copyrights, industrial property rights (such as patents, registered trademarks, industrial models and sketches), technical processes, licenses, registered trade names, know-how and other rights of a comparable nature;
- e)* The rights to economic and commercial activities granted by law or under the terms of a contract, in particular with regard to prospecting, cultivating, extracting or exploiting natural resources, with the understanding that the aforementioned assets must be or must have been invested in accordance with the laws of the Contracting Party on whose territory or in whose maritime zone the investment is made.

The term “investment” shall also indicate indirect investments made by investors of one of the Contracting Parties on the territory or in the maritime zone of the other Contracting Party through the intermediary of an investor of a third country.

Any change in the form of investment of assets shall not affect their qualification as an investment within the meaning of this Agreement, provided that this change is not contrary to the laws of the Contracting Party on whose territory or in whose maritime zone the investment is made.

2. The term “investor” shall signify:

*a)* Any natural person who is a national of one of the Contracting Parties and who is allowed, in accordance with the laws of that Contracting Party, to make investments on the territory or in the maritime zone of the other Contracting Party;

*b)* Any legal entity constituted on the territory of one of the Contracting Parties in accordance with the laws thereof and having its head office therein, and which is allowed, in accordance with the laws of that Contracting Party, to make investments on the territory or in the maritime zone of the other Contracting Party.

3. The term “revenue” shall mean all amounts earned with an investment, in particular but not exclusively profits, dividends, interests, royalties, commissions, and fees for technical assistance and after-sales service.

4. This Agreement applies to the territory of each Contracting Party as well as to the maritime zone of each Contracting Party, defined hereinafter as the economic zone and the continental shelf extending beyond the limits of the territorial waters of each Contracting Party and in which they have, in accordance with International Law, sovereign rights and jurisdiction over prospecting, exploiting and preserving natural resources.

#### Article 2

Each Contracting Party, in accordance with its legislation and the provisions of this Agreement, shall permit and promote investments made on its territory and in its maritime zone by investors of the other Contracting Party.

#### Article 3

1. Each Contracting Party shall extend, on its territory and in its maritime zone, to investments made by investors of the other Contracting Party fair and equitable treatment, in accordance with the principles of International Law, which excludes any unfair or discriminatory measure that could impede the management, maintenance, enjoyment or disposal of these investments.

2. Each Contracting Party shall accord on its territory and in its maritime zone to investors of the other Contracting Party, with respect to their investments and related activities, treatment that is no less favorable than that accorded to investors of any third country.

3. This treatment does not extend however to the privileges granted by a Contracting Party to investors of a third country as a result of its participation in:

- a free-trade zone;
- a customs union;
- a common market;
- a mutual economic assistance organization or as a result of a treaty signed before the date of this Agreement and providing for provisions similar to those granted by the Contracting Parties to the participants in this organization,

or under the terms of a double-taxation treaty or any other agreement in the tax area.

4. In addition to the provisions of paragraph 2 of this Article, each Contracting Party, in accordance with its national legislation, shall accord to investments of investors of the other Contracting Party treatment that is no less favorable than that accorded to its own investors.

#### Article 4

1. Investments made by investors of either Contracting Party shall enjoy full and complete protection and security on the territory and in the maritime zone of the other Contracting Party.

2. Revenues from investments and, in the case of reinvestment, revenues from their reinvestment shall enjoy the same protection as investments.

3. The Contracting Parties shall not take, on their territory or in their maritime zone, measures of expropriation or nationalization or any other measures having the effect of dispossessing investors of the other Contracting Party of their investments, unless it is in the public interest and under the condition that these measures are neither discriminatory nor contrary to a commitment made to an investor as mentioned in Article 8.

Any expropriation measures that might be taken must be accompanied by the payment of prompt and adequate compensation, the amount of which must be equal to the actual value of the investments concerned on the day before such measures are taken or become known to the public.

This compensation, freely transferable, shall be paid to the investors without delay in a convertible currency. After a period of thirty days from the day when such measures are taken or become known to the public and until the date of full payment, the compensation shall accrue interest, with the interest being calculated at an appropriate rate.

4. Investors of one of the Contracting Parties whose investments have suffered losses due to war, any other armed conflict or any other situation with comparable effects occurring on the territory or in the maritime zone of the other Contracting Party shall be treated by the latter in conformity with the provisions of Article 3 of this Agreement.

#### Article 5

Each Contracting Party on whose territory or in whose maritime zone investments were made by investors of the other Contracting Party shall grant these investors the possibility of freely transferring the payments linked to such investments, in particular but not exclusively:

- a)* The revenues from such investments such as defined in paragraph 3 of Article 1;
- b)* The royalties due on the rights indicated in paragraph 1, letters *d* and *e* of Article 1;
- c)* The amounts intended for the reimbursement of loans relating to the investments;
- d)* The proceeds from the sale or the total or partial disposal of the investment, including the capital gains on the invested capital;
- e)* A fair share of the compensation of nationals of the other Contracting Party who were authorized to work on its territory or in its maritime zone pursuant to an authorized investment;
- f)* The indemnities set forth in Article 4 of this Agreement.

The transfers mentioned in the preceding paragraphs shall be carried out without delay at the appropriate rate of exchange officially applicable on the date of the transfer.

#### Article 6

To the extent that the rules and regulations of one of the Contracting Parties provide for a guarantee against non-commercial risks for investments made abroad, such guarantee may be allowed, in the context of a case-by-case examination, for investments made by investors of such Contracting Party on the territory or in the maritime zone of the other Contracting Party.

Investments made by investors of one of the Contracting Parties on the territory or in the maritime zone of the other Contracting Party shall be able to benefit from the guarantee set forth in the subparagraph above only if they have obtained the approval of the latter Contracting Party beforehand.

If one of the Contracting Parties makes payments to one of its investors under the terms of a guarantee given for an investment made on the territory or in the maritime zone of the other Contracting Party, it is by this fact subrogated in the rights and causes of action of said investor, in particular those defined in Article 7 of this Agreement.

#### Article 7

Any dispute between one of the Contracting Parties and an investor of the other Contracting Party concerning the effects of a measure taken by the first Contracting Party and relating to the management, maintenance, enjoyment or disposal of an investment made by such investor, including but not limited to the effects of a measure relating to the transportation and sales of goods, an expropriation or the transfers set forth in Article 5 of this Agreement, shall be settled if at all possible amicably by the two parties concerned.

If such a dispute cannot be settled amicably within a period of six months from the time when it was raised by either one of the parties to the dispute, it may be submitted in writing to arbitration.

This dispute shall then be settled definitively in accordance with the arbitration rules of the United Nations Commission for International Commercial Law as adopted by the General Assembly of the United Nations in its resolution 31/98 of December 15, 1976.

#### Article 8

Each Contracting Party shall observe all commitments made with regard to an investor of the other Contracting Party in relation to an investment made by such investor on the territory or in the maritime zone of the first Contracting Party.

#### Article 9

1. Any disputes between the Contracting Parties relating to the interpretation or implementation of this Agreement shall be settled via diplomatic channels if at all possible.

2. If a dispute is not settled within a period of six months from the date on which the issue was raised by either Contracting Party, it shall be submitted to an arbitral tribunal at the request of either Contracting Party.

3. Said tribunal shall be constituted for each individual case as follows:

Each Contracting Party shall designate a member of the tribunal, and the two members shall designate by mutual agreement a national of a third country who shall be the president of the aforesaid tribunal. All members must be named within a period of two months from the date on which one of the Contracting Parties informed the other Contracting Party of its intention to submit the dispute to arbitration.

4. If the deadlines established in paragraph 3 above are not observed, either of the Contracting Parties shall, in the absence of any other agreement, ask the Secretary General of the United Nations Organization to make the necessary appointments. If the Secretary General is a national of either Contracting Party or is prevented from making the necessary appointments for other reasons, the most senior deputy to the Secretary General who is not a national of either Contracting Party shall make the necessary appointments.

5. The tribunal shall set its own rules. It shall make decisions by a majority of votes. These decisions shall be final and executory by operation of law against the two Contracting Parties.

The tribunal shall interpret the award at the request of either Contracting Party. Unless the tribunal rules otherwise based on the particular circumstances related to the dispute in question, the costs of the arbitral proceedings, including the session fees of the arbitrators, shall be borne evenly by the Contracting Parties.

#### Article 10

This Agreement shall apply to all investments made as of January 1, 1950.

#### Article 11

Each Contracting Party shall inform the other Contracting Party in writing of the completion of the internal procedures necessary for this Agreement to enter into force. This Agreement shall enter into force thirty days after the reception date of the last notification.

This Agreement shall remain in force for an initial period of fifteen years. If neither of the Contracting Parties terminates it in writing at least one year before the expiration of its initial period of validity, it shall remain in force as long as neither Contracting Party notifies the other Contracting Party in writing of its intention to terminate it. The Agreement shall become null and void one year after the date of receipt of the aforesaid notification by the other Contracting Party.

Upon the expiration of the period of validity of this Agreement, the investments made while it was in force shall continue to benefit from the protection of its provisions for an additional period of fifteen years.

Done in Paris on July 4, 1989 in two originals, one each in French and in Russian, with both texts having equal force.

For the Government of the French Republic:  
PIERRE BÉRÉGOVOY

For the Government of the Union of Soviet Socialist Republics:  
LEV VORONINE