

2.

**AGREEMENT
BETWEEN THE CZECH REPUBLIC AND
THE REPUBLIC OF EL SALVADOR FOR THE PROMOTION AND
RECIPROCAL PROTECTION OF INVESTMENTS**

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

Desiring to develop economic co-operation to the mutual benefit of both States,

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

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

Have agreed as follows:

**Article 1
Definitions**

For the purposes of this Agreement:

1. 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, such as mortgages, liens or pledges:

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

c/ claims to money or to any performance under contract having a financial value associated with an investment;

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

e/ any right conferred by laws or under contract and any licenses and permits pursuant to laws 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.

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, having the permanent seat in the territory of one of the Contracting Parties.

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

4. The term "territory" shall mean:

a/ in respect of the Czech Republic, the territory of the Czech Republic over which it exercises sovereignty, sovereign rights and jurisdiction in accordance with international law;

b/ in respect of the Republic of El Salvador, the terrestrial, maritime and aerial space under its sovereignty and jurisdiction, in accordance with its respective legislation and international law.

Article 2

Promotion and Protection of Investments

1. Each Contracting Party shall encourage and create favorable conditions for investors of the other Contracting Party to make investments in its territory 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-Favored-Nation Treatment

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

that which it accords to its own investors or to investors of any third State, whichever is more favorable.

3. The provisions of paragraphs 1 and 2 of this Article 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 institution or other forms of regional co-operation to which either of the Contracting Parties is or may become a party;

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

Article 4

Compensation for Losses

1. Where investments of 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, such investors shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation or other settlement, not less favorable 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 the State forces or authorities of the latter Contracting Party, or

b destruction of their property by the State forces or authorities of the latter Contracting Party which was not caused in combat action or was not required by the necessity of the situation,

shall be accorded restitution or 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 a freely convertible currency without delay.

Article 5 Expropriation

1. Investments of investors of either Contracting Party shall not be nationalized, expropriated or subjected to measures having effect equivalent to nationalization 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 value of the investment expropriated immediately before expropriation or impending expropriation became public knowledge, shall include interest at the banking rate from the date of expropriation, shall be made without delay, be effectively realizable and be freely transferable in a freely convertible currency.
2. The investor affected shall have a right to prompt review by a judicial or other independent authority of the Contracting Party in which territory investment has been made of his or its case and of the valuation of his or its investment in accordance with the principles set out in this Article.

Article 6
Transfers

1. The Contracting Parties shall guarantee the 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 personnel engaged from abroad who are employed and allowed to work in connection with an investment in the territory of the other Contracting Party.
2. For the purpose of this Agreement the exchange rate shall be the prevailing market rate 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.

Article 7
Subrogation

1. If a Contracting Party or its designated agency makes a 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 Contracting Party, of any right of 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 in the territory of that other Contracting Party shall be, as far as possible, settled by means of amicable consultations or 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, the investor shall be entitled to submit the case, at his choice, for settlement to:
-

/a/ to the competent court or administrative tribunal of the Contracting Party which is the Party to the dispute;

or

/b/ 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

/c/ 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. Once the investor has submitted the dispute to the international arbitration, that submission shall be definitive. If the investor has submitted the dispute to the competent tribunals of the Contracting Party where the investment has been made, the investor may only withdraw his claim according to the laws and regulations of that Contracting Party, provided that a final decision has not been rendered, and submit the dispute to international arbitration as described in this Article. This submission to an arbitration after withdrawal from the national tribunals shall be definitive.
 4. The arbitral awards shall be final and binding on both Parties to the dispute and shall be enforceable in accordance with the domestic legislation.
-

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 consultations or negotiations.
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. This two members shall then select a national of a third State, with which both Contracting Parties maintain diplomatic relations, 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 period specified in paragraph three 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 appointment. If it 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. Each Contracting Party shall bear the cost of its own arbitrator 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 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 favorable to his case.
2. If the 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 favorable than that accorded by the Agreement, the more favorable one 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 investments existing in accordance with the laws of the Contracting Parties on the date this Agreement came into force. However, the provisions of this Agreement shall not apply to claims arising out of events which occurred, or to claims which had been settled, prior to its entry into force.

Article 12

Entry into Force, Duration and Termination

1. Each of the Contracting Parties shall notify the other of the completion of the procedures required by its law for bringing this Agreement into force. This Agreement shall enter into force on the 30th day after the date of the second notification.
2. This Agreement shall remain in force for a period of fifteen years. Thereafter, it shall remain in force until the expiration of a twelve months period from the date either Contracting Party notifies the other in writing of its intention to terminate the Agreement.
3. In respect of investments made prior to the termination of this Agreement, the provisions of this Agreement shall continue to be effective for a period of ten years from the date of termination.

IN WITNESS WHEREOF, the undersigned duly authorized have signed this Agreement.

DONE in duplicate at San Salvador, Republic of El Salvador, this twenty-ninth day of November, 1999, in the English, Czech and Spanish languages, all texts being equally authentic. In case of any divergence of interpretation the English text shall prevail.


For the Czech Republic


For the Republic of El Salvador