

No. 24890

**CANADA
and
YUGOSLAVIA**

**Agreement on the protection of investments (with exchange
of letters). Signed at Belgrade on 21 December 1979**

*Authentic texts: English, French and Serbo-Croatian.
Registered by Canada on 16 July 1987.*

**CANADA
et
YOUGOSLAVIE**

**Accord relatif à la protection des investissements (avec
échange de lettres). Signé à Belgrade le 21 décembre
1979**

*Textes authentiques : anglais, français et serbo-croate.
Enregistré par le Canada le 16 juillet 1987.*

AGREEMENT¹ BETWEEN THE FEDERAL EXECUTIVE COUNCIL
OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA
AND THE GOVERNMENT OF CANADA ON THE PROTEC-
TION OF INVESTMENTS

The Federal Executive Council of the Socialist Federal Republic of Yugoslavia and the Government of Canada,

Taking into account the Trade Agreement between the Government of the Socialist Federal Republic of Yugoslavia and the Government of Canada which was signed on October 24, 1973,²

Desiring to encourage the economic cooperation through the protection of investments against non-commercial risks,

Have agreed as follows:

Article I. For the purposes of this Agreement:

(a) "Insured investments" shall refer only to those insured investments made by nationals of Canada in the territory of the Socialist Federal Republic of Yugoslavia in accordance with the laws and regulations of the Socialist Federal Republic of Yugoslavia and protected against non-commercial risks by a policy of insurance issued by Canada's Export Development Corporation;

(b) "Nationals" shall comprise:

- Individuals holding Canadian citizenship in accordance with Canadian laws;
- Legal entities constituted in accordance with Canadian laws;

(c) "Insuring Agency" means the Canadian Export Development Corporation (EDC);

(d) "Investor" means a person who has an insured investment in the Socialist Federal Republic of Yugoslavia;

(e) "Non commercial risk" means damage to insured investments that has resulted in payment of an investment insurance claim for losses by reason of:

- (i) War or other armed conflicts, or political events,
- (ii) Nationalization, expropriation, or other measures by the Federal Executive Council or other state organ in the Socialist Federal Republic of Yugoslavia that may amount to nationalization or expropriation,
- (iii) Action by the Federal Executive Council or an agency thereof, in the Socialist Federal Republic of Yugoslavia, that prohibits or restricts transfer of resources or the removal of property from the Socialist Federal Republic of Yugoslavia, if such an action is not in accordance with regulations in effect on the date of the conclusion of a joint venture contract on the part of Canadian nationals in organizations of associated labour in Yugoslavia.

¹ Came into force on 28 October 1980, the date of the exchange of notes by which the Contracting Parties informed each other of its approval pursuant to their required constitutional procedures, in accordance with article V.

² United Nations, *Treaty Series*, vol. 1132, p. 29.

Article II. In the case that the Insuring Agency shall compensate the investors for the damage suffered by their insured investments in the territory of the Socialist Federal Republic of Yugoslavia, it shall subrogate into all rights and obligations of the insured investors.

Article III. The Insuring Agency may have no greater rights than those that have been transferred by the investor, under the laws of the Socialist Federal Republic of Yugoslavia with respect to Article II of this Agreement. The Government of Canada and the Federal Executive Council of the Socialist Federal Republic of Yugoslavia in order to protect their rights may resort to other measures in accordance with the principles of justice.

Article IV. Any dispute between the Federal Executive Council of the Socialist Federal Republic of Yugoslavia and the Government of Canada concerning the interpretation or application of this Agreement or any claim against either of the two Governments arising out of investments insured by the Insuring Agency in accordance with this Agreement, which in the opinion of one of the Governments presents a question of public international law, shall be settled, in so far as possible, through negotiations between the Governments. If such dispute or claim cannot be resolved within a period of three months following the request for such negotiations, it shall be submitted for settlement, at the request of either Government, to an ad hoc arbitral tribunal composed of three members. Each Government shall appoint one arbitrator and the two arbitrators thus appointed shall together appoint a third arbitrator as their chairman. The Chairman shall not be a national of either country.

If one of the Governments fails to appoint its arbitrator and has not proceeded to do so within two months after an invitation from the other Government to make such appointment, the latter Government may invite the President of the International Court of Justice to make the necessary appointment.

If the two arbitrators are unable to reach agreement, in the two months following their appointment, on the choice of the third arbitrator, either Government may invite the President of the International Court of Justice to make the necessary appointment.

If, in the cases provided for in the second and third paragraphs of this Article, the President of the International Court of Justice is prevented from discharging the said function or is a national of either country, the Vice-President shall make the necessary appointments. If the Vice-President is prevented from discharging the said function or is a national of either country, the next most senior member of the Court who is not a national of either country shall make the necessary appointments.

The tribunal shall reach its decision by a majority of votes and the decision so reached shall be final and binding on both Governments.

Each of the Governments shall pay the expense of its member and its representation in the proceedings before the arbitral tribunal. Expenses of the Chairman and other costs shall be paid in equal parts by the two Governments.

The arbitral tribunal may adopt other regulations concerning costs. In all other matters the arbitral tribunal shall determine its own procedure.

Article V. This Agreement shall enter into force on the date of an exchange of diplomatic notes by which the Contracting Parties inform each other that the

Agreement had been approved in conformity with the procedures constitutionally required therefore by each of the Contracting Parties.

Each Contracting Party shall have the right to terminate this Agreement on six months' notice in writing to each other.

In the case of termination of the Agreement, its provisions shall continue to be effective in respect of investments insured during the period of validity of this Agreement, but not longer than for a period of fifteen years after the termination of this Agreement.

If either Government considers it desirable to modify the provisions of this Agreement, this procedure may be carried out through a request for consultations and/or by correspondence and shall begin not later than 60 days from the date of the request. Modifications of this Agreement shall follow the same procedure as was valid for this Agreement and shall be mutually agreed upon by an appropriate amending procedure.

DONE in Belgrade this 21 day of December, 1979 in two copies in Serbo-Croatian, English and French languages, each text being equally authentic.

[Signed]

For the Government
of Canada:

JAMES G. HARRIS
Ambassador

[Signed]

For the Federal Executive Council
of the Socialist Federal Republic
of Yugoslavia:

Ing. PETAR KOSTIC
Member of the Federal Executive
Council and Federal
Secretary for Finance

EXCHANGE OF LETTERS

I

December 21, 1979

Your Excellency,

On the occasion of the signature of the Foreign Investment Insurance Agreement between Canada and the Socialist Federal Republic of Yugoslavia, I wish to assure you that the Government of Canada is prepared at some time in the future to negotiate with the Federal Executive Council of the Socialist Federal Republic of Yugoslavia an Agreement providing for reciprocal treatment with regard to insured investments made by nationals and corporations of the Socialist Federal Republic of Yugoslavia in Canada in accordance with Canadian laws and regulations, on the understanding that provincial concurrence and, if appropriate, legislation will be required in respect of matters which, under Canadian law, fall within the legislative jurisdiction of the provinces.

If the above is acceptable to the Federal Executive Council of the Socialist Federal Republic of Yugoslavia, I have the honour to propose that this note, which is authentic in English and French, and your reply in Serbo-Croatian to that effect will constitute an understanding between our two Governments.

Please accept, Excellency, the assurances of my highest consideration.

Yours sincerely,

JAMES G. HARRIS
Ambassador

II

December 21, 1979

Your Excellency,

I herewith have the honour to acknowledge receipt of Your Excellency's letter of December 21, 1979, reading as follows:

[See letter I]

I confirm herewith that the above represents the understanding reached between our two Governments.

Please accept, Excellency, the assurance of my highest consideration.

Yours sincerely,

Ing. PETAR KOSTIC
Member of the Federal Executive Council
of the Socialist Federal Republic of Yugoslavia
and Federal Secretary for Finance