

No. 31059

**DENMARK
and
LITHUANIA**

Agreement concerning the promotion and reciprocal protection of investments (with exchange of notes). Signed at Copenhagen on 30 March 1992

Authentic texts of the Agreement: Danish, Lithuanian and English.

Authentic text of the exchange of notes: English.

Registered by Denmark on 27 June 1994.

**DANEMARK
et
LITUANIE**

Accord relatif à la promotion et à la protection réciproque des investissements (avec échange de notes). Signé à Copenhague le 30 mars 1992

Textes authentiques de l'Accord: danois, lituanien et anglais.

Texte authentique de l'échange de notes : anglais.

Enregistré par le Danemark le 27 juin 1994.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE KINGDOM OF DENMARK AND THE GOVERNMENT OF THE REPUBLIC OF LITHUANIA CONCERNING THE PROMOTION AND RECIPROCAL PROTECTION OF INVESTMENTS

Preamble

The Government of the Kingdom of Denmark and the Government of the Republic of Lithuania

DESIRING to create favourable conditions for investments in both States and to intensify the co-operation between private enterprises in both States with a view to stimulating the productive use of resources,

RECOGNIZING that a fair and equitable treatment of investments on a reciprocal basis will serve this aim,

HAVE AGREED as follows:

Article I

Definitions

For the purpose of this Agreement,

(1) The term »investment« shall mean every kind of asset connected with economic activities acquired for the purpose of establishing lasting economic relations between an investor and an enterprise irrespective of the legal form including joint ventures and including any share of the capital to which investors are entitled as well as any capital appreciation and in particular, but not exclusively:

(i) shares, parts or any other form of participation in companies incorporated in the territory of one Contracting Party,

(ii) returns reinvested, claims to money or other rights relating to services having a financial value,

(iii) movable and immovable property, as well as any other rights as mortgages, privileges, guarantees and any other similar rights as defined in conformity with the law of the

Contracting Party in the territory of which the property in question is situated,

(iv) industrial and intellectual property rights, technology, trademarks, goodwill, know-how and any other similar rights,

(v) business concessions conferred by law or by contract, including the concessions related to natural resources.

(vi) goods that under a leasing agreement, in relation to an investment under this agreement, are placed at the disposal of a lessee in the territory of one Contracting Party in conformity with its laws and regulations shall be treated not less favorable than an investment.

(2) The term »returns« shall mean the amounts yielded by an investment and in particular though not exclusively, includes profit, interest, capital gains, dividends, royalties or fees.

Such amounts, and in case of reinvestment amounts yielded from the reinvestment, shall be given the same protection as the investment.

(3) The term »investor« shall mean with regard to either Contracting Party.

(a) Natural persons having status as nationals of either Contracting Party according to its law.

(b) Any entity established in accordance with, and recognized as a legal person by the law of that Contracting Party, such as corporations, firms, associations, development finance institutions, foundations or similar entities irrespective of whether their liabilities are limited and whether or not their activities are directed at profit.

(4) The term »territory« shall mean in respect of each Contracting Party the territory under its sovereignty and the sea and sub-

¹ Came into force on 8 January 1993, i.e., 30 days after the date on which the Contracting Parties had notified each other (on 26 August and 9 December 1992) of the completion of their constitutional requirements, in accordance with article 15.

marine areas over which the Contracting Party exercises, in conformity with international law, sovereignty, sovereign rights or jurisdiction.

Subject to Article 14 the present Agreement shall not apply to the Faroe Islands and Greenland.

(5) »Contracting Party« shall mean the Kingdom of Denmark or the Republic of Lithuania as the context requires.

(6) The term »without delay« shall be deemed to be fulfilled if a transfer is made within such period as is normally required by international financial custom and not later, in any case, than three months.

Article 2

Promotion of Investment

Each Contracting Party shall admit the investment by investors of the other Contracting Party in accordance with its legislation and administrative practice, and promote such investments as far as possible including facilitating the establishments of representative offices.

Article 3

Protection of Investment

(1) 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. Neither Contracting Party shall in any way impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment or disposal of investments in its territory of investors of the other Contracting Party. Each Contracting Party shall observe any obligation it may have entered into with regard to investments of investors of the other Contracting Party.

(2) Neither Contracting Party shall in its territory subject investments made by investors of the other Contracting Party or returns of such investments to treatment less favourable than that which it accords to investments or returns of its own investors or any third State (whichever of these standards is more favourable from the point of view of the investor).

(3) 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 investment or returns, to treatment less favourable than that which it accords to its own investors or to investors of any third State (whichever of these standards is the more favourable from the point of view of the investor).

Article 4

Exceptions

(1) The provisions of this Agreement relative to the grant of treatment not less favourable 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 Contracting Party the benefit of any treatment, preference or privilege resulting from:

(a) any existing or future customs union, regional economic organisations, or similar international agreement to which either of the Contracting Parties is or may become a party, or

(b) any international agreement or arrangement relating wholly or mainly to taxation or any domestic legislation relating wholly or mainly to taxation.

(2) The provisions of article 7, section 1 of this Agreement shall be without prejudice to the right of each Contracting Party to take protective measures in respect of capital movements provided such measures are taken in accordance with multilateral agreements to which either of the Contracting Parties is or may become a party or in accordance with provisions approved by the IMF.

Article 5

Expropriation and Compensation

Investments of investors of either Contracting Party shall not be nationalized, 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 related to the internal needs of the expropriating Party, on a basis of

non-discrimination and against prompt, adequate and effective compensation. Such compensation shall amount to the market value of the investment expropriated immediately before the expropriation or impending expropriation became public knowledge, shall be made without delay and shall include interest at LIBOR until the date of payment, be effectively realisable in convertible currency and be freely transferable. There shall be legal provision giving an investor concerned a right to prompt review of the legality of the measure taken against the investment and of their valuation in accordance with the principles set out in this paragraph by due process of law in the territory of the Contracting Party making the expropriation.

Article 6

Compensation for Losses

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 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 favourable than that which the latter Contracting Party accords to its own investors or to investors of any third State (whichever of these standards is the more favourable from the point of view of the investor). Payments resulting from any provision in this Article shall be freely transferable, made without delay and shall include interest at LIBOR until the day of payment and be effectively realisable in convertible currency.

Article 7

Repatriation and Transfer of Capital and Returns

(1) Each Contracting Party shall without delay allow the transfer of:

- (a) the invested capital or the proceed of total or partial liquidation or alienation of the investment;
- (b) the returns realized;
- (c) the payments made for the reimbursement of the credits for investments and interests due;

(d) an approved portion of the earnings of the expatriates who are allowed to work in an investment made in the territory of the other Contracting Party.

(2) Transfers of currency pursuant to Article 5, 6 and section (1) of this Article shall be made in the convertible currency in which the investment has been made or in any convertible currency if so agreed by the investor, at the exchange rate used by the central bank of the transferring Contracting Party.

Article 8

Subrogation

If one 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 to 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.

Article 9

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 on the territory of that other Contracting Party shall be subject to negotiations between the parties in dispute.

(2) If any dispute between an investor of one Contracting Party and the other Contracting Party continues to exist after a period of three months, investor shall be entitled to submit the case:

- (a) either to the International Centre for Settlement of Investment Disputes having regard to the applicable provisions of the Convention on the Settlement of Investment Dis-

putes between States and Nationals of other States opened for signature at Washington D.C. on 18 March 1965,¹

(b) or in case both Contracting Parties have not become parties to this Convention, to an arbitrator or international ad hoc arbitral tribunal established under the Arbitration Rules of the United Nations Commission on International Trade Law. The parties to the dispute may agree in writing to modify these Rules. The arbitral awards shall be final and binding on both Parties to the dispute.

Article 10

Disputes between the Contracting Parties

(1) Disputes between the Contracting Parties concerning the interpretation and application of this Agreement should, as far as possible, be settled through negotiations between the Contracting Parties.

(2) If such a dispute cannot be settled within three months from the beginning of negotiation, it shall upon the request of either Contracting Party, be submitted to an arbitral tribunal.

(3) Such an arbitral tribunal shall be constituted for each individual case in the following way: Within three months of the receipt of the request for arbitration, each Contracting Party shall appoint one member of the tribunal. Those two members shall then select a national of a third State, who on approval by the Contracting Parties shall be appointed Chairman of the tribunal. The Chairman shall be appointed within three months from the date of appointment of the other two members.

(4) If within any of the periods specified the necessary appointments have not been made, either Contracting Party may, in the absence of any other agreement, invite the President of the International Court of Justice to make any necessary appointments. If the President is 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 necessary appointments. If the Vice-President is a national of either Contracting Party or if he, too, is prevented from discharg-

ing 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 necessary appointments.

(5) The arbitral tribunal shall apply the provisions of this Agreement, other Agreements concluded between the Contracting Parties, and the procedural standards called for by international law. It shall reach its decision by a majority of votes. Such decision shall be final and binding on both Contracting Parties. The arbitral tribunal determines its own procedure.

(6) The arbitral tribunal shall determine how the costs of the proceedings are to be shared between the Contracting Parties.

Article 11

Amendments

At the time on entry into force of this Agreement or at any time thereafter the provisions of this Agreement may be amended in such manner as may be agreed between the Contracting Parties. Such amendments shall enter in force when the Contracting Parties have notified each other that the constitutional requirement for the entry into force have been fulfilled.

Article 12

Consultations

Either Contracting Party may propose the other Party to consult on any matter affecting the application of the present Agreement. These consultations shall be held on the proposal of one of the Contracting Parties at a place and at a time agreed upon through diplomatic channels.

Article 13

Applicability of this Agreement

The provisions of this Agreement shall apply to investments made by investors of one Contracting Party in the territory of the other Contracting Party after 29 December 1990.

¹ United Nations, *Treaty Series*, vol. 575, p. 159.

Investments made before this date are covered by this Agreement provided they subsequently are registered according to the laws in force.

Article 14

Territorial Extension

At the time of entry into force of this Agreement, or at any time thereafter, the provisions of this Agreement may be extended to the Faroe Islands and Greenland as may be agreed between the Contracting Parties in an Exchange of Notes.

Article 15

Entry into Force

This agreement shall enter into force thirty days after the date on which the Governments of the Contracting Parties have notified each other that the constitutional requirements for the entry into force of this Agreement have been fulfilled.

Article 16

Duration and Termination

(1) This agreement shall remain in force for a period of ten years and shall continue in force

thereafter unless, after the expiry of the initial period of ten years, either Contracting Party notifies in writing the other Contracting Party of its intention to terminate this Agreement. The notice of termination shall become effective one year after it has been received by the other Contracting Party.

(2) In respect of investments made prior to the date when the notice of termination of this Agreement becomes effective, the provisions of Articles 1 to 10 shall remain in force for a further period of ten years from that date.

IN WITNESS WHEREOF the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

DONE in duplicate at Copenhagen on the 30th March, 1992 in the Danish, Lithuanian and English languages, all texts being equally authentic.

In the case of divergence of interpretation, the English text shall prevail.

For the Government
of the Kingdom of Denmark:

POUL SCHLÜTER

For the Government
of the Republic of Lithuania:

VYTENIS ALESKAITIS

EXCHANGE OF NOTES

I

Date: 30 March 1992

Sir,

I have the honour to refer to the Agreement between the Government of the Republic of Lithuania and the Government of the Kingdom of Denmark concerning the Promotion and Reciprocal Protection of Investments signed on 30 March 1992 at Copenhagen, hereinafter referred to as “the said Agreement”.

It has been the understanding of the Government of the Republic of Lithuania and the Government of the Kingdom of Denmark that for the purpose of Article 7 section 1 of the said Agreement, the Government of the Republic of Lithuania informs that it does not and will not prevent foreign investors from disposing of freely convertible currency including its transfer abroad. However, during the transitional period of economic reforms in Lithuania, the Government cannot guarantee free and immediate exchange of local currency for convertible currency by the State Bank of Lithuania.

Nevertheless, the Government has resolved on non-discrimination of foreign investors and on doing everything necessary to enable them to exchange local currency for convertible currency via commercial banks. This is a temporary measure while the monetary unit used in Lithuania is not freely convertible.

I have the honour to propose that this Note, which is authentic in the English language, and your reply to that effect shall constitute the understanding between our two Governments and shall be regarded as an integral part of the said Agreement.

I avail myself of this opportunity to renew to you, Sir, the assurances of my highest consideration.

His Excellency Mr. Poul Schlüter
Prime Minister
Kingdom of Denmark

II

Date: 30 March 1992

I have the honour to refer to your Note dated 30 March 1992.

I have further the honour to confirm the understanding of the Government of the Kingdom of Denmark and the Government of the Republic of Lithuania that for the purpose of Article 7 section 1 of the said Agreement, the Government of the Republic of Lithuania informs that it does not and will not prevent foreign investors from disposing of freely convertible currency including its transfer abroad. However, during the transitional period of economic reforms in Lithuania, the Government cannot guarantee free and immediate exchange of local currency for convertible currency by the State Bank of Lithuania.

Nevertheless, the Government has resolved on non-discrimination of foreign investors and on doing everything necessary to enable them to exchange local currency for convertible currency via commercial banks. This is a temporary measure while the monetary unit used in Lithuania is not freely convertible.

I confirm that your Note dated 30 March 1992 and my reply, which is authentic in the English language, shall constitute the understanding between our two Governments and shall be regarded as an integral part of the said Agreement.

I avail myself of this opportunity to renew to you, Sir, the assurances of my highest consideration.

His Excellency Mr. Vytenis Aleskaitis
Minister for International Economic Relations
Republic of Lithuania
