

**AGREEMENT
BETWEEN THE GOVERNMENT OF THE RUSSIAN FEDERATION
AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA
ON THE PROMOTION AND RECIPROCAL PROTECTION OF INVESTMENTS**

(Beijing, 9.XI.2006)

The Government of the Russian Federation and the Government of the People's Republic of China (hereinafter referred to as the Contracting Parties),

Intending to create favorable conditions for investments by investors of one Contracting Party in the territory of the other Contracting Party;

Recognizing that the reciprocal encouragement, promotion and protection of such investments will be conducive to stimulating business initiative of the investors and will increase prosperity in both States;

Desiring to intensify the cooperation of both States on the basis of equality and mutual benefits;
Have agreed as follows:

Article 1

Definitions

For the purpose of this Agreement,

1. The term "investment" means every kind of asset invested by investors of one Contracting Party in accordance with the laws and regulations of the other Contracting Party in the territory of the latter, and in particular, though not exclusively, includes:

- a) movable and immovable property as well as any property rights;
- b) shares, stocks and any other kind of participation in the capital of commercial organizations;
- c) claims to money or to any other performance having an economic value associated with an investment;
- d) intellectual property rights, in particular copyrights, patents, trade-marks, trade-names, technology and technical process, know-how and good-will;
- e) business concessions conferred by law or under contract permitted by law, including concessions to search for, cultivate, extract or exploit natural resources.

Any change in the form in which assets are invested does not affect their character as investments if such change does not contradict the laws and regulations of the Contracting Party in which territory the investments were made.

2. The term "investor" means:

- a) natural persons who have nationality of the State of either Contracting Party in accordance with the laws and regulations of that Contracting Party;
- b) legal entities, including companies, associations, partnerships and other organizations, established or constituted under the laws and regulations of either Contracting Party and having their seats in the territory of that Contracting Party.

3. The term "return" means the amounts yielded from investments, in particular though not exclusive including profits, dividends, interests, capital gains, royalties and other fees related to investments.

4. The term "activities" means the management, maintenance, use, enjoyment and disposal of admitted investment.

5. The term "territory of the Contracting Party" means:

- the territory of the Russian Federation and the territory of the People's Republic of China respectively;
- maritime areas, beyond the external boundaries of the territorial sea of each of the above territories over which the respective Contracting Party exercises in accordance with international law its sovereign rights or jurisdiction for the purpose of exploration, extraction, exploitation and preservation of natural resources of such areas.

6. The term "laws and regulations of the Contracting Party" means the laws and other regulations of the Russian Federation or the laws and other regulations of the People's Republic of China.

Article 2

Promotion and protection of investment

1. Each Contracting Party shall aspire to create favorable conditions to investors of the other Contracting Party to make investments in its territory and admit such investments in accordance with its laws and regulations.

2. Each Contracting Party shall, in accordance with its laws and regulations, provide full protection on in its territory to investments of investors of the other Contracting Party.

3. Without prejudice to its laws and regulations, each Contracting Party shall favorably consider granting visas and working permits to nationals of the other Contracting Party engaging engaged in activities associated with investments made in the territory of the former Contracting Party.

Article 3

Treatment of investment

1. Each Contracting Party shall ensure in its territory fair and equitable treatment of the investments made by investors of the other Contracting Party and activities in connection with such investments.

Without prejudice to its laws and regulations, neither Contracting Party shall take any discriminatory measures that might hinder management and disposal activities in connection with of investments.

2. Without prejudice to its laws and regulations, each Contracting Party shall accord to investments and activities connected in connection with such investments by investors of the other Contracting Party treatment not less favourable than that accorded to the investments and activity activities connected with such investments by its own investors.

3. Neither Contracting Party shall subject investments and activities connected with such investments by the investors of the other Contracting Party to treatment less favorable than that accorded to the investments and activities in connection with such investments by the investors of any third State.

4. The provisions of Paragraphs 3 of this Article shall not be construed so as to oblige one Contracting Party to extend to investments by the investors of the other Contracting Party the benefit of any treatment, preference or privilege by virtue of:

a) agreements establishing free trade area, customs unions, economic unions, monetary unions or similar institutions, or on the basis of interim agreements leading to such unions or institutions;

b) international agreements or international arrangements relating to taxation;

c) agreements between the Russian Federation and the states, which had earlier formed part of the Union of Soviet Socialist Republics, related to the investment in term of this Agreement.

The Agreements mentioned in this paragraph 4 of this Article shall be compatible with the WTO commitments of either the former of the Contracting Parties Party in respect of the issues covered by the WTO Agreements.

5. Without prejudice to the provisions of the Articles 4, 5 and 9 of this Agreement the Contracting Parties may accord the treatment no more favourable than the treatment granted by the Contracting Parties in accordance with the multilateral arrangements concerning the treatment of investments in which both Contracting Parties participate.

Article 4

Expropriation

1. Neither Contracting Party shall expropriate, nationalize or take other similar measures (hereinafter referred to as "expropriation") against the investments of the investors of the other Contracting Party in its territory, unless the measures are taken for the public interests and meet all of the following conditions:

(a) under domestic legal procedure;

(b) without discrimination;

(c) against compensation.

2. The compensation mentioned in paragraph 1 of this Article shall be equivalent to the market value of the expropriated investments immediately before the expropriation is taken or the impending expropriation becomes public knowledge, whichever is earlier. The value shall be determined in accordance with generally recognized principles of valuation. The compensation shall include interest

calculated from the date of expropriation until the date of payment at the LIBOR rate for six months US dollar credits. The compensation shall be paid without delay in any freely convertible currency.

Article 5

Compensation for losses

Investors of one Contracting Party whose investments suffer losses in the territory of the other Contracting Party as a result of war, civil disturbance, a state of national emergence or other similar events shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation and other settlements in relation to such losses no less favorable than that accorded in like circumstances to the investors of its own or any third State, whichever is more favorable.

Article 6

Transfer of payments

1. Each Contracting Party shall, subject to its own laws and regulations, guarantee to the investors of the other Contracting Party upon fulfillment by them of all tax obligations a free transfer abroad of payments related to their investments made in its territory, and in particular:

- (a) returns as defined in Article 1 of this Agreement;
- (b) proceeds obtained from the total or partial sale or liquidation of investments;
- (c) payments on loans and credits;
- (d) earnings of nationals of the State of other Contracting Party who work in connection with an investment in the territory of the former Contracting Party;
- (e) payments arising out of the settlement of an investment dispute under Article 9 of this Agreement;
- (f) compensation stipulated in Article 4 and Article 5 of this Agreement.

2. The payments, mentioned in paragraph 1 of the present Article, could be, freely converted in any freely convertible currency pursuant to the laws and regulations of the Contracting Party in the territory of which the investments were made at the market rate of exchange applicable on the date of conversion.

3. The payments shall be remitted without delay in a freely convertible currency pursuant to the existing foreign exchange laws and regulations of the Contracting Party in the territory of which the investments were made.

Article 7

Subrogation

1. If one Contracting Party provides financial indemnity against non-commercial risks to its investor with regard to the investment made in the territory of the other Contracting Party and makes a payment to such investor under indemnity, the other Contracting Party shall recognize acquirement of all the rights and claims of such investor by the former Contracting Party by law or by legal transactions by virtue of subrogation.

2. However, the rights or claims shall not exceed the original rights or claims of such investor by virtue of subrogation, neither prejudice all the original rights or claims of such investor the other Contracting Party has acquired.

Article 8

Settlement of disputes between Contracting Parties

1. Any dispute between the Contracting Parties concerning the interpretation or application of this Agreement shall, as far as possible, be settled with consultation through diplomatic channel.

2. If a dispute cannot thus be settled within six months, it shall, upon the request of either Contracting Party, be submitted to an ad hoc arbitral tribunal.

3. Such arbitral tribunal comprises of three arbitrators. Within two months of the receipt of the written notice requesting arbitration, each Contracting Party shall appoint one arbitrator. Those two

arbitrators shall, within further two months, together select a national of a third State agreed by both Contracting Parties as Chairman of the arbitral tribunal.

4. If the arbitral tribunal has not been constituted within four months from the receipt of the written notice requesting arbitration, 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 is otherwise prevented from discharging the said functions, the Member of the International Court of Justice next in seniority who is not a national of either Contracting Party or is not otherwise prevented from discharging the said functions shall be invited to make such necessary appointments.

5. The arbitral tribunal shall determine its own procedure. The arbitral tribunal shall reach its award in accordance with the provisions of this Agreement and the principles of international law recognized by both Contracting Parties.

6. The arbitral tribunal shall reach its award by a majority of votes. Such award shall be final and binding upon both Contracting Parties. The arbitral tribunal shall, upon the request of either Contracting Party, explain the reasons of its award.

7. Each Contracting Party shall bear the costs of its appointed arbitrator and of its representation in arbitral proceedings. The relevant costs of the Chairman and tribunal shall be borne in equal parts by the Contracting Parties.

Article 9

Settlement of disputes between one Contracting Party and an investor of the other Contracting Party

1. Any dispute between a Contracting Party and an investor of the other Contracting Party, related to an investment, shall be as far as possible settled amicably through negotiations.

2. If the dispute cannot be settled amicably through negotiations within six months from the date it has been raised by either party to the dispute, it shall be submitted:

a) to the competent court of the Contracting Party that is a party to the dispute; or

b) to the International Center Centre for Settlement of Investment Disputes (the Centre) under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, done at Washington on March 18, 1965 (subject to it entered into force for both Contracting Parties) or Additional Facility Rules of International Centre for Settlement of Investment Disputes (provided that the Convention has not entered into force for either Contracting Party); or

c) to an ad hoc arbitration court in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL).

3. Once the investor has submitted the dispute to the competent court of the concerned Contracting Party or to the Centre or to the ad hoc arbitration court, the choice of one of the three procedures shall be final.

4. The arbitration award shall be based on:

- the provisions of this Agreement;

- the laws and other regulations of the Contracting Party in whose territory the investment has been made including the rules relative to conflict of laws; and

- the rules and universally accepted principles of international law.

5. The arbitration award shall be final and binding on both parties to the dispute. Each Contracting Party ensures enforcement of this award in accordance with its legislation laws and other regulations.

Article 10

Other obligations

If the provisions of laws and regulations of either Contracting Party or obligations under international treaties existing at present or established hereafter between the Contracting Parties in addition to this Agreement contain the provisions entitling investments by investors of the other Contracting Party to a treatment more favorable than is provided for by the Agreement, such provisions shall, to the extent that they are more favourable to the investor, prevail over this Agreement.

Article 11

Application

1. This Agreement shall apply to all investments made by investors of one of the Contracting Parties in the territory of the other Contracting Party beginning from January 1st 1985, but shall not apply to the disputes that arose before the entry into force of this Agreement.

2. Each Contracting Party shall observe commitments it may have entered into with the investors of the other Contracting Party under this Agreement as regards to their investments.

Article 12

Consultations

The Contracting Parties shall consult, at the request of either of them, on the matter concerning the interpretation or application of this Agreement. Where either Contracting Party requests such consultation, the other Contracting Party shall give prompt response.

Article 13

Entry into force, duration and termination

1. This Agreement shall enter into force on the first day of the following month after the date on which both Contracting Parties have notified each other in writing that their respective internal legal procedures necessary therefore have been fulfilled and remain in force for a period of ten years.

2. This Agreement shall remain in force for a period of ten years. Upon expiration of this period it shall automatically extend for subsequent periods of five years unless one of the Contracting Parties notifies the other Contracting Party in writing at least twelve months in advance of the expiration of the respective five year period of its intention to terminate this Agreement.

3. With respect to investments made prior to the date of termination of this Agreement, the provisions of Article 1 to 12 of this Agreement shall continue to be effective for a further period of ten years from such date of termination.

4. The Agreement between the Government of the People's Republic of China and the Government of the Union of Soviet Socialist Republics on the Promotion and Protection of Investments between the People's Republic of China and the Union of Soviet Socialist Republics signed on the 21st of July, 1990, shall be automatically terminated in the relations between the Russian Federation and the People's Republic of China on the date of entry into force of the this Agreement.

5. This Agreement is supplemented by a Protocol of to this Agreement and constituting an integral part of this Agreement.

In witness whereof the undersigned, duly authorized thereto by respective Governments, have signed this Agreement.

Done in duplicate at Beijing on November 9, 2006 in the Russian, Chinese and English languages, all texts being equally authentic. In case of divergent interpretation, the English text shall prevail.

**PROTOCOL
TO THE AGREEMENT BETWEEN THE GOVERNMENT
OF THE RUSSIAN FEDERATION AND THE GOVERNMENT
OF THE PEOPLE'S REPUBLIC OF CHINA ON THE PROMOTION
AND RECIPROCAL PROTECTION OF INVESTMENTS**

(Beijing, 9.XI.2006)

On the signing of the Agreement on Promotion and Reciprocal Protection of Investments between the Government of the Russian Federation and the Government of the People's Republic of

China (hereinafter referred to as the Agreement), the undersigned representatives have agreed on the following provisions which constitute an integral part of the Agreement:

1. Unless otherwise agreed by both Contracting Parties, the Agreement does not apply to the Hong Kong Special Administrative Region of the People's Republic of China and the Macao Special Administrative Region of People's Republic of China.

2. Ad Article 3

The Chinese side takes the note that, with reference of Paragraph 5 in Article 3 of the Agreement, the Russian Federation considers the WTO General Agreement on Trade in Services falling within the scope of multilateral arrangements concerning the treatment of investments.

3. Ad Article 9

Before the submission of a dispute mentioned in Article 9 of the Agreement to instances stipulated in paragraphs 2b and 2c of the said Article the Contracting Party involved in the dispute may require the investor concerned to go through domestic administrative review procedures specified by the laws and regulations of that Contracting Party. Such domestic administrative review procedures:

1. shall be applied on the most favoured nation treatment basis;

2. shall not in any case take a period of more than 90 days from the date when the administrative review body accepts the investor's application for administrative review procedures. In any case when the administrative review body does not accept the said application or fails to reply within the said 90-day period after it accepts the application, the investor concerned is entitled to submit the dispute to the instances mentioned in paragraph 2b and 2c of Article 9 of the Agreement;

3. shall not prevent the investor from submitting the dispute for resolution to the Center Centre or ad hoc arbitration court in accordance with the provisions of paragraph 2b and 2c of Article 9 of the Agreement;

4. shall not substitute any arbitration procedure or instance mentioned in paragraph 2b and 2c of Article 9 of the Agreement.

Done in duplicate at Beijing on November 9, 2006 in the Russian, Chinese and English languages, all texts being equally authentic. In case of divergent interpretation, the English text shall prevail.