Agreement

between the Government of the Czech Republic

and the Government of the State of Israel

for the Reciprocal Promotion and Protection of Investments

The Government of the Czech Republic and the Government of the State of Israel (hereinafter the „Contracting Parties"),

DESIRING to intensify economic cooperation to the mutual benefit of both countries,

INTENDING to create favorable conditions for greater investments by investors of either Contracting Party in the territory of the other Contracting Party,

and

RECOGNIZING that the reciprocal promotion and protection of investments on the basis of the present Agreement will be conducive to the stimulation of individual business initiative and will increase prosperity in both States,

have agreed as follows:

Article 1
Definitions

For the purposes of the present Agreement:

1. The term „investments" shall comprise any kind of assets 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 rights in rem, in respect of every kind of asset such as mortgages, liens, pledges and similar rights;

b) rights derived from shares, bonds and other kinds of interests in companies;

c) claims to money or to any performance having an economic value associated with an investment;

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

e) business concessions conferred by law or under contract, including concessions to search for, cultivate, extract or exploit natural resources.

2. A change in the form in which assets are invested or reinvested in accordance with the laws and regulations of the Contracting Party in whose territory the investment is made, shall not affect their character as investments within the meaning of this Agreement.

3. The term „investor" shall comprise:

(i) as regards Czech investors in the State of Israel:

a) natural persons who are nationals of the Czech Republic in accordance with its laws who are not also nationals or permanent residents of the State of Israel in accordance with its laws; or

b) legal entities incorporated or constituted in accordance with Czech laws and having their permanent seat in the territory of the Czech Republic;

(ii) as regards Israeli investors in the Czech Republic:

a) natural persons who are nationals of the State of Israel in accordance with its laws who are not also nationals of the Czech Republic in accordance with its laws; or

b) legal entities incorporated or constituted in accordance with Israeli laws and having their permanent seat in the territory of the State of Israel.

4. The term „returns" shall comprise the amount yielded by an investment including, but not limited to, dividends, profit, interest, capital gains, royalties or fees.

5. The term „territory" shall mean:

(i) with respect to the Czech Republic, the territory of the Czech Republic where the Czech Republic exercises sovereignty, sovereign rights or jurisdiction in accordance with international law;

(ii) with respect to the State of Israel, the territory of the State of Israel including the territorial sea, exclusive economic zones and continental shelf where the State of Israel exercises sovereignty, sovereign rights or jurisdiction in accordance with international law.

Article 2

Promotion and Protection of Investments

1. Each Contracting Party shall, in its territory, encourage and create favorable conditions for investments by investors of the other Contracting Party and, subject to its right to exercise the powers conferred by its laws, shall admit such investments.

2. Investments made by investors of each Contracting Party shall 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.

Article 3

National Treatment and Most Favored Nation Treatment

1. Neither Contracting Party shall, in its territory, subject investments and returns of investors of the other Contracting Party to treatment 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.

2. 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 investments and returns, to treatment less favorable than that which it accords to its own investors or to investors of any third State.

3. The provisions of paragraphs 1 and 2 shall not be construed so as to oblige one Contracting Party to extend to investors of the other Contracting Party the benefits of any treatment, preference or privilege resulting from:

a) any international agreement or arrangement relating wholly or mainly to taxation or any domestic legislation relating wholly or mainly to taxation; or

b) any existing or future customs, economic or monetary union, any free trade area agreement or any similar international agreement to which either of the Contracting Parties is or may become a party.

Article 4

Compensation for Losses

1. 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, civil disturbance, or other such similar activity 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, not less favorable than that which the latter Contracting Party accords to its own investors or to investors of any third State. Resulting payments shall be freely transferable in a freely convertible currency without delay.

2. Without prejudice to paragraph 1 of this Article, investors of one Contracting Party who, in any of the situations referred to in that paragraph, suffer losses in the territory of the other Contracting Party, resulting from:

a) requisitioning of their property by its forces or authorities, or

b) destruction of their property by its forces or authorities, which was not caused in combat action or was not required by the necessity of the situation,

shall be accorded restitution or adequate compensation. 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: „expropriation") in the territory of the other Contracting Party, except for a public purpose related to the internal needs of that Contracting Party on a non-discriminatory basis under due process of law and against prompt, adequate and effective compensation. Such compensation shall amount to the market value of the investment expropriated immediately before the expropriation or before the impending expropriation became public knowledge, whichever is the earlier, shall include interest until the date of payment, shall be made without delay, be effectively realizable and be freely transferable in a freely convertible currency.

2. The investors affected shall have a right, under the law of the Contracting Party making the expropriation, to prompt review, by a judicial or other independent authority of that Contracting Party, 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

Repatriation of Investments and Returns

1. Each Contracting Party shall, in respect of investments, guarantee to investors of the other Contracting Party the unrestricted transfer of their investments and returns, in accordance with the following principles:

a) Transfers shall be effected without delay in the convertible currency in which the capital was originally invested or in any other convertible currency agreed by the investor and the Contracting Party concerned, provided that the investor has complied with all his fiscal obligations and that the repatriation is in accordance with the exchange regulations established by the Contracting Party in whose territory the investment was made.

b) In the event the exchange regulations of one Contracting Party are modified, that Contracting Party guarantees that such modifications shall not adversely affect the rights to repatriate investments and returns, as were in force at the time the investment was made. However, if the said modifications grant investments and returns more favorable terms than were in force at the time the investment was made, the more favorable terms shall apply.

2. Unless otherwise agreed by the investor, transfers shall be made at the market rate of exchange applicable on the date of transfer.

Article 7

Settlement of Investment 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 made in the territory of the latter shall be 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 within a period of six months, the investor shall be entitled to submit the dispute to:

a) a court of competent jurisdiction of the Contracting Party in whose territory the investment was made; or

b) the International Center for the 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 March 18, 1965; or

c) an arbitrator or international ad hoc arbitral tribunal as agreed by the parties to the dispute. The arbitral tribunal shall be established according to the principles contained in Article 8.

3. All arbitral awards shall be final and binding on the parties to the dispute.

4. All sums received or payable as a result of a settlement shall be freely transferable in a freely convertible currency.

Article 8

Disputes Between the Contracting Parties

1. Disputes between the Contracting Parties concerning the interpretation or application of this Agreement should, if possible, be settled through negotiations and consultations. If both Parties so desire, the dispute may be referred to a Bilateral Commission composed of representatives of both Contracting Parties.

2. If a dispute between the Contracting Parties cannot thus be settled within six (6) months from notification of the dispute, 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 two 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, provided that State maintains diplomatic relations with both Contracting Parties who, on approval by the two Contracting Parties, shall be appointed Chairman of the tribunal. The Chairman shall be appointed within two months from the date of appointment of the other two members.

4. If, within the periods specified in paragraph 3 of this Article, the necessary appointments have not been made, either Contracting Party may, in the absence of any other agreement, invite the President of the International Chamber of Commerce in Paris to make any necessary appointments. If the President is a national of either Contracting Party, or is otherwise prevented from discharging the said function, the Vice-President shall be invited to make the necessary appointments. If the Vice-President is also a national of either Contracting Party or is otherwise prevented from discharging the said function, the member next in seniority shall be invited to make the necessary appointments.

5. The arbitral tribunal shall reach its decision by a majority of votes. Such decision shall be binding on both Contracting Parties. Each Contracting Party shall bear the cost of its own member of the tribunal and of its representation in the arbitral proceedings; the cost of the Chairman and the remaining costs shall be borne in equal parts by the Contracting Parties. The tribunal may, however, in its decision, direct that a higher proportion of costs shall be borne by one of the two Contracting Parties and this award shall be binding on both Contracting Parties. The tribunal shall determine its own procedure.

Article 9
Subrogation

1. If one Contracting Party or its designated Agency (hereinafter: the „First Contracting Party") makes a payment under an indemnity given in respect of an investment in the territory of the other Contracting Party (hereinafter: the „Second Contracting Party"), the Second Contracting Party shall recognize:

a) the assignment to the First Contracting Party by law or by legal transaction of all the rights and claims of the party indemnified; and

b) that the First Contracting Party is entitled to exercise such rights and enforce such claims by virtue of subrogation, to the same extent as the party indemnified.

2. The First Contracting Party shall be entitled in all circumstances to:

a) the same treatment in respect of the rights and claims acquired by it, by virtue of the assignment; and

b) any payments received in pursuance of those rights and claims,
as the party indemnified was entitled to receive by virtue of this Agreement, in respect of the investment concerned and its related returns.

Article 10
Application of Other Rules

If the provisions of law of either Contracting Party or obligations under international law existing at present or established hereafter between the Contracting Parties in addition to the present Agreement contain rules, whether general or specific, entitling investments by investors of the other Contracting Party to a treatment more favorable than is provided for by the present Agreement, such rules shall, to the extent that they are more favorable, prevail over the present Agreement.

Article 11
Application of the 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 entered into force.

Article 12
Entry into Force, Duration and Termination

1. Each Contracting Party shall notify the other Contracting Party of the completion of the procedures required for bringing this Agreement into force. This Agreement shall enter into force on the date of the latter notification.

2. This Agreement shall remain in force for a period of 10 years. Thereafter, it shall continue in force until the expiration of 12 months from the date on which either Contracting Party shall have given written notice of termination to the other. In respect of investments made while the Agreement is in force, its provisions shall continue in effect with respect to such investments for a period of 10 years after the date of termination and without prejudice to the application thereafter of the rules of general international law.

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

Done in duplicate at JERUSALEM this 23rd day of SEPTEMBER 1997, which corresponds to the 21st day of ELUL 5757 in the Czech, Hebrew and English languages, all three texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

For the Government of	For the Government of
The Czech Republic	The State of Israel

Annex

On signing the Agreement between the Government of the Czech Republic and the Government of the State of Israel for the Reciprocal Promotion and Protection of Investments, the undersigned have agreed on the following provisions, which constitute an integral part of the said Agreement:

a) The provisions of paragraphs (1) and (2) of Article 3 shall not be construed so as to oblige the State of Israel to extend to investors of the Czech Republic the benefits of any treatment, preference or privilege resulting from the provisions of Article 6 contained in the Agreements for the Promotion and Reciprocal Protection of Investments entered into by the Government of the State of Israel with the Governments of Poland, Hungary and Romania in 1991.

b) The Government of the State of Israel shall notify the Government of the Czech Republic in the event the Agreements with Poland, Hungary and Romania are appropriately modified so as to render this Annex unnecessary. Upon such notification, this Annex shall become null and void.

Done in duplicate at JERUSALEM this 23rd day of SEPTEMBER 1997, which corresponds to the 21st day of ELUL 5757 in the Czech, Hebrew and English languages, all three texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

For the Government of
The Czech Republic

For the Government of
The State of Israel