

**AGREEMENT between The Government of the people's Republic of Bulgaria and The
Government of the Republic of Cyprus on Mutual Encouragement and Protection of
Investments**

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The Government of the People's Republic of Bulgaria and the Government of the Republic of Cyprus, hereinafter referred to as the Contracting Parties,

Desiring to expand and develop their mutual relations in the fields of Economic, Industrial, Scientific and Technological co-operation on a long- term basis,

Having as their objective the creation of favourable conditions for investments by investors of one Contracting Party in the territory of the other Contracting Party, Acting in the spirit of the Final Act of the Conference on Security and Co-operation in Europe,

Have agreed upon the following:

Article 1

For the purposes of this Agreement:

1. The term "Investment" comprises assets, rights and properties which are connected with participation in enterprises or in associations or in other types of participation and in particular:

- (A) Property and other real rights
- (B) Outstanding payments and rights which have economic value
- (C) Copyrights and rights of industrial property (patents for inventions, trade marks, commercial names, technical methods, know-how and goodwill).

These investments shall be made in compliance with the laws and regulations of the relevant Contracting Party and any permissions that may be required thereunder.

A possible change of the form in which the investments have been made does not affect their substance as investments, provided that such a change does not contradict the laws and regulations and permissions of the relevant Contracting Party.

2. The term "Income" means those net amounts received from the investments for a certain period of time, such as shares of profits, dividends, interest, licence and other fees, as well as any other sums emanating from such investments which are considered as income under the laws of the respective country.

3. The term "Investor" means:

(A) With respect to the People's Republic of Bulgaria any juridical person, as well as any economic or other enterprise, society or association with or without juridical personality established in compliance with the Bulgarian legislation and whose seat is in the People's Republic of Bulgaria.

(B) With respect to the Republic of Cyprus physical persons with Cypriot citizenship and legal persons with registration and seat according to the Cypriot legislation, who, in compliance with this Agreement are making investments in the territory of the other Contracting Party.

Article 2

1. Each Contracting Party shall promote in its territory the investments by investors of the other Contracting Party.

2. Investments permitted in compliance with the regulations of the Contracting Party in the territory of which they are made, enjoy the protection of the present Agreement.

3. In cases of approved reinvestments, the income ensuing therefrom enjoy the same protection as the major investments.

Article 3

1. Each Contracting Party shall apply to the investments in its territory by investors of the other Contracting Party a treatment which is not less favourable than that accorded to investments by investors of third states.

2. This treatment shall not be applied to the privileges which either Contracting Party accords to investors from third countries in virtue of their participation in economic communities and unions, a customs union or a free trade area.

Article 4

1. Each Contracting Party cannot expropriate investments made under the present Agreement except for a purpose which is to the public interest in accordance with the general law for compulsory acquisition and upon the payment in cash of a just and equitable compensation.

2. The amount of compensation must correspond to the value of the expropriated investments at the moment of the expropriation.

3.1. The compensation must be paid immediately upon completion of the legal expropriation procedure and shall be transferred in the currency in which the investment is made. In the event of any delay in the payment of the compensation, the Contracting Party concerned shall be liable to the payment of interest based on the prevailing 6-month libor for the relevant currency in addition to the amount of compensation.

3.2. In any event the ownership of the property expropriated does not vest to the expropriating authority before the payment of compensation and any interest due is made.

4.1. The legality of the expropriation shall be checked at the request of the concerned investor through the regular administrative and legal procedure of the Contracting Party that had taken the expropriation steps. In cases of dispute with regard to the amount of the compensation, which disputes were not settled in an administrative order, the concerned investor and the legal representatives of the other Contracting Party shall hold consultations for fixing this value. If within 3 months after the beginning of the consultations no agreement is reached, the amount of the compensation at the request of the concerned investor shall be checked either in a legal regular procedure of the Contracting Party which had taken the measure on expropriation or by an international "Ad Hoc" Arbitration Court.

4.2. The International Court of Arbitration mentioned in paragraph 4.1 of Article 4 shall be established on a case-by-case basis. Each Contracting Party shall designate one arbitrator, and the two arbitrators agree upon a national of a third state to be a Chairman. The members are to be nominated within two months' time, and the Chairman within three months upon the notice of one of the Contracting Parties to the other about its wish to refer the dispute to the Arbitration Court. If the appointments are not made within the time period specified above, and if no other arrangement is agreed, either Contracting Party may request the Chairman of the Court of Arbitration to the

Chamber of Commerce in Stockholm to make the necessary appointments. The Chairman, and the members of the Arbitration Court have to be nationals of states with which the two Contracting Parties maintain diplomatic relations.

4.3. The arbitration procedure is determined by the Arbitration Court itself, by applying the arbitration regulations of the U. N. Commission For International Trade Law (UNCITRAL) of 15th December 1976. The Court shall decide on the basis of the provisions of the present Agreement, the relevant domestic laws of the country where the investment was made and the principles of international law accepted by both Contracting Parties.

4.4. The decision of the Arbitration Court is taken by a majority of votes. The decision is final and binding and implemented according to the internal law of the respective country. The decision should specify in detail the juridical and factual basis on which it has been taken.

4.5. Each Party to the dispute bears the costs of the member appointed by that Party as well as the costs for its representation in the arbitral proceedings. The costs of the Chairman as well as any other costs shall be borne in equal parts by the two Parties to the dispute.

5. Investors of either Contracting Party who suffer losses of their investments in the territory of the other Contracting Party due to natural calamity, state of emergency or disaster, war or other armed conflict in the territory of the other Contracting Party shall be treated, with respect to the compensations for these losses, as investors of third countries.

Article 5

1. Subject to its laws and regulations, each Contracting Party shall permit the investors of the other Contracting Party to transfer in any convertible currency, income from investments, proceeds of sale of their stake, or proceeds from total or partial liquidation of the investments.

2. The transfer will be made within reasonable time, which is usually required for observance of all formalities for the transfer of amounts, commencing on the day when the request for the transfer has been made.

3. The transfer will be made at the rate of exchange ruling in the remitting country.

Article 6

1. Disputes between the Contracting Parties concerning the interpretation and application of this Agreement should be settled through diplomatic channels.

2. If a dispute cannot thus be settled, it shall at the request of either Contracting Party be submitted to an International Ad-Hoc Arbitration Court.

3. The Arbitration Court shall be established on a case-by-case basis, each Contracting Party appointing one arbitrator and those two arbitrators shall then nominate a national of a third state as Chairman to be designated by the two Contracting Parties. The arbitrators shall be appointed within two months, and the Chairman within three months from the date either Contracting Party has advised the other Contracting Party of its wish to submit the dispute to an Arbitration Court.

4. If the time limits referred to in paragraph 3 are not complied within the absence of any other arrangement either Contracting Party may invite the Secretary-General of the United Nations to make the necessary appointments. If the Secretary General is a national of one of the Contracting Parties, or if he is otherwise prevented from discharging such function, the appointment shall be made by the next in line, by right of seniority, Under Secretary General who is not a national of one of the Contracting Parties.

5. The Chairman and the members of the Arbitration Court shall be nationals of states with which the Contracting Parties maintain diplomatic relations.

6. Before taking a decision, the Arbitration Court may, at each stage of legal proceedings, propose to the Parties to settle the dispute by conciliation. The Court shall take its decision on the basis of the provisions of the present Agreement, internal laws and regulations of the Contracting Party where the investment was made, as well as the Agreements concluded by the two Parties and the principles of international law accepted by them.

7. The decision of the Arbitration Court shall be taken by a majority of votes. The decisions are binding. Each Contracting Party shall bear the costs of the arbitrators appointed by it as well as the costs for its representation in the arbitration proceedings. The costs of the Chairman as well as any other costs shall be borne in equal parts by the two Contracting Parties. The Arbitration Court may also designate other ways of settling the costs.

8. Except as provided in this Agreement the Arbitration Court may determine its own procedure.

Article 7

Representatives of the Contracting Parties shall, whenever necessary, hold meetings in order to review the implementation of this Agreement. These meetings 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 8

Either Contracting Party will consider favourably in accordance with its laws and regulations and the official policies followed, the entrance and stay of the investors' personnel of the other Contracting Party who are involved in activities connected with the investments and shall issue permits for the transportation of goods and persons in connection with the investments made.

Article 9

1. This Agreement shall enter into force thirty days after the date on which the last of the notes has been received in which the Contracting Parties have notified each other that the constitutional requirements for the entry into force of this Agreement have been fulfilled.

2. This Agreement is concluded for a period of 10 years. Its validity shall be extended for an indefinite period of time unless either Contracting Party notifies in writing, at least 6 months prior to its expiry, the other Contracting Party of its wish to terminate the Agreement. After the ten year period of validity each Contracting Party has the right to terminate the Agreement upon a 6 months' written notice. The termination shall become effective 6 months after the notification has been received by the other Contracting Party.

3. In respect of investments made prior to the date when the termination of this Agreement becomes effective, the provisions of this Agreement remain in force for a further period of 15 years from that date.

Done in Nicosia on the 12th November 1987, in two originals in the English language, both texts being equally authentic.

Annex

On signing the Agreement on Mutual Encouragement and protection of Investments between the Government of the People's Republic of Bulgaria and the Government of the Republic of Cyprus, the authorized representatives of both Contracting Parties have agreed upon the following provisions which constitute an integral part of this Agreement.

Regarding Article 5

The expression "Subject to its Laws and Regulations, each Contracting Party shall permit the investors of the other Contracting Party to transfer in any convertible currency, income from investments, proceeds of sales of their stake, or proceeds from total or partial liquidation of the investments" in Article-5 means with respect to the People's Republic of Bulgaria: -

In compliance with the foreign exchange regulations in force in the People's Republic of Bulgaria at the time of signing this Agreement payments within the meaning of Article 5 will be transferred abroad against the foreign exchange account of companies with foreign participation. If the balances in convertible currencies of the companies with foreign participation are insufficient for payments within the meaning of Article 5, the Bulgarian National Bank will make available the foreign exchange required for the transfer in exchange for domestic currency. This applies to the transfer of amounts described in Article 5 if the companies with foreign participation are engaged with the permission of the competent Bulgarian Authorities in economic activities which yield receipts consisting wholly or partially of domestic currency.