

104TH CONGRESS }  
2d Session

SENATE

{ TREATY DOC.  
104-25

## INVESTMENT TREATY WITH UZBEKISTAN

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### MESSAGE

FROM

## THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE TREATY BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF UZBEKISTAN CONCERNING THE ENCOURAGEMENT AND RECIPROCAL PROTECTION OF INVESTMENT, WITH ANNEX, SIGNED AT WASHINGTON ON DECEMBER 16, 1994



FEBRUARY 28, 1996.—Agreement was read the first time and, together with the accompanying papers, referred to the Committee on Foreign Relations and ordered to be printed for the use of the Senate.

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U.S. GOVERNMENT PRINTING OFFICE

29-118

WASHINGTON : 1996



## LETTER OF TRANSMITTAL

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THE WHITE HOUSE, *February 28, 1996.*

*To the Senate of the United States:*

With a view to receiving the advice and consent of the Senate to ratification, I transmit herewith the Treaty Between the Government of the United States of America and the Government of the Republic of Uzbekistan Concerning the Encouragement and Reciprocal Protection of Investment, with Annex, signed at Washington on December 16, 1994. I transmit also, for the information of the Senate, the report of the Department of State with respect to this Treaty.

The bilateral investment treaty (BIT) with Uzbekistan is designed to protect U.S. investment and assist the Republic of Uzbekistan in its efforts to develop its economy by creating conditions more favorable for U.S. private investment and thus strengthen the development of its private sector.

The Treaty is fully consistent with U.S. policy toward international and domestic investment. A specific tenet of U.S. policy, reflected in this Treaty, is that U.S. investment abroad and foreign investment in the United States should receive national treatment. Under this Treaty, the Parties also agree to international law standards for expropriation and compensation for expropriation; free transfer of funds related to investments; freedom of investments from performance requirements; fair, equitable, and most-favored-nation treatment; and the investor's or investment's freedom to choose to resolve disputes with the host government through international arbitration.

I recommend that the Senate consider this Treaty as soon as possible, and give its advice and consent to ratification of the Treaty, with annex, at an early date.

WILLIAM J. CLINTON.



## LETTER OF SUBMITTAL

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DEPARTMENT OF STATE,  
*Washington, January 31, 1996.*

THE PRESIDENT,  
*The White House.*

I have the honor to submit to you the Treaty Between the Government of the United States of America and the Government of the Republic of Uzbekistan Concerning the Encouragement and Reciprocal Protection of Investment, with Annex, signed at Washington on December 16, 1994. I recommend that this Treaty, with Annex, be transmitted to the Senate for its advice and consent to ratification.

The bilateral investment treaty (BIT) with Uzbekistan is based on the view that an open investment policy contributes to economic growth. This Treaty will assist the Republic of Uzbekistan in its efforts to develop its economy by creating conditions more favorable for U.S. private investment and thus strengthen the development of its private sector. It is U.S. policy, however, to advise potential treaty partners during BIT negotiations that conclusion of such a treaty does not necessarily result in immediate increases in private U.S. investment flows.

To date, twenty-one BITs are in force for the United States—with Argentina, Bangladesh, Bulgaria, Cameroon, the Congo, the Czech Republic, Egypt, Grenada, Kazakhstan, Kyrgyzstan, Moldova, Morocco, Panama, Poland, Romania, Senegal, Slovakia, Sri Lanka, Tunisia, Turkey, and Zaire. In addition to the Treaty with Uzbekistan, the United States has signed, but not yet brought into force, BITs with Albania, Armenia, Belarus, Ecuador, Estonia, Georgia, Haiti, Honduras, Jamaica, Latvia, Mongolia, Nicaragua, Russia, Trinidad and Tobago, and Ukraine.

The Office of the United States Trade Representative and the Department of State jointly led this BIT negotiation, with assistance from the Departments of Commerce and Treasury.

### THE UNITED STATES-UZBEKISTAN TREATY

The Treaty with the Government of the Republic of Uzbekistan is based on the 1994 U.S. prototype BIT and satisfies the United States' principal objectives in bilateral investment treaty negotiations:

- All forms of U.S. investment in the territory of the Republic of Uzbekistan are covered.
- Covered investments receive the better of national treatment or most-favored-nation (MFN) treatment both on establishment and thereafter, subject to certain specified exceptions.

- Performance requirements may not be imposed upon or enforced against covered investments.
- Expropriation can occur only in accordance with international law standards, that is, for a public purpose; in a nondiscriminatory manner; in accordance with due process of law; and upon payment of prompt, adequate, and effective compensation.
- The unrestricted transfer, in a freely usable currency, of funds related to a covered investment is guaranteed.
- Investment disputes with the host government may be brought by investors, or by their subsidiaries, to binding international arbitration as an alternative to domestic courts.

The United States-Uzbekistan Treaty does not differ in any significant way from the 1994 prototype. The following is an article-by-article analysis of the provisions of the Treaty:

#### *Title and Preamble*

The Title and Preamble state the goals of the Treaty. Foremost is the encouragement and protection of investment. Other goals include economic cooperation on investment issues; the stimulation of economic development; higher living standards; promotion of respect for internationally-recognized worker rights; and maintenance of health, safety, and environmental measures. While the Preamble does not impose binding obligations, its statement of goals may assist in interpreting the Treaty and in defining the scope of Party-to-Party consultation procedures pursuant to Article VIII.

#### *Article I (Definitions)*

Article I defines terms used throughout the Treaty. In general, the definitions are designed to be broad and inclusive in nature.

##### *Company, Company of a Party*

The definition of “company” is broad, covering all types of legal entities constituted or organized under applicable law, and includes corporations, trusts, partnerships, sole proprietorships, branches, joint ventures, and associations. The definition explicitly covers charitable and not-for-profit entities, as well as entities that are owned or controlled by the state. “Company of a Party” is defined as a company constituted or organized under the laws of that Party.

##### *National*

The Treaty defines “national” as a natural person who is a national of a Party under its own laws. Under U.S. law, the term “national” is broader than the term “citizen.” For example, a native of American Samoa is a national of the United States, but not a citizen.

##### *Investment, Covered Investment*

The Treaty’s definition of investment is broad, recognizing that investment can take a wide variety of forms. Every kind of investment is specifically incorporated in the definition; moreover, it is explicitly noted that investment may consist or take the form of

any of a number of interests, claims, and rights. Establishing a subsidiary is a common way of making an investment. Other forms that an investment might take include equity and debt interests in a company; contractual rights; tangible, intangible, and intellectual property; and rights conferred pursuant to law. Investment as defined by the Treaty generally excludes claims arising solely from trade transactions, such as a sale of goods across a border that does not otherwise involve an investment.

The Treaty defines “covered investment” as an investment of a national or company of a Party in the territory of the other Party. An investment of a national or company is one that the national or company owns or controls, either directly or indirectly. Indirect ownership or control could be through other, intermediate companies or persons, including those of third countries. Control is not specifically defined in the Treaty; ownership of over fifty percent of the voting stock of a company would normally convey control, but in many cases the requirement could be satisfied by less than that proportion, or by other arrangements.

The broad nature of the definitions of “covered investment,” combined with the definitions of “investment,” “company,” and “company of a Party” means that investments can be covered by the Treaty even if ultimate control lies with non-Party nationals. A Party may, however, deny the benefits of the Treaty in the limited circumstances described in Article XII.

*State Enterprise, Investment Authorization, Investment Agreement*

The Treaty defines “state enterprise” as a company owned, or controlled through ownership interests, by a Party. Purely regulatory control over a company does not qualify it as a state enterprise.

The Treaty defines an “investment authorization” as an authorization granted by the foreign investment authority of a Party to a covered investment or a national or company of the other Party.

The Treaty defines an “investment agreement” as a written agreement between the national authorities of a Party and a covered investment or a national or company of the other Party that (1) grants rights with respect to natural resources or other assets controlled by the national authorities; and (2) the investment, national, or company relies upon in establishing or acquiring a covered investment. This definition thus excludes agreements with subnational authorities (including U.S. States) as well as agreements arising from various types of regulatory activities of the national government, including, in the tax area, rulings, closing agreements, and advance pricing agreements.

*ICSID Convention, Centre, UNCITRAL Arbitration Rules*

The “ICSID Convention,” “Centre,” and “UNCITRAL Arbitration Rules” are explicitly defined to make the text brief and clear.

*Article II (Treatment of Investment)*

Article II contains the Treaty’s major obligations with respect to the treatment of covered investments.

## VIII

Paragraph 1 generally ensures the better of national or MFN treatment in both the entry and post-entry phases of investment. It thus prohibits, outside of exceptions listed in the Annex, “screening” on the basis of nationality during the investment process, as well as nationality-based post-establishment measures. For purposes of the Treaty, “national treatment” means treatment no less favorable than that which a Party accords, in like situations, to investments in its territory of its own nationals or companies. For purposes of the Treaty, “MFN treatment” means treatment no less favorable than that which a Party accords, in like situations, to investments in its territory of nationals or companies of a third country. “National and MFN treatment” is defined as whichever of national treatment or MFN treatment is the most favorable. Paragraph 1 explicitly states that the national and MFN treatment obligation will extend to state enterprises in their sale of goods and services.

Paragraph 2 states that the Parties may adopt or maintain exceptions to the national and MFN treatment standard with respect to the sectors or matters specified in the Annex. In principle, further restrictive measures are permitted in each sector. The careful phrasing and narrow drafting of these exceptions is therefore important. (The specific exceptions are discussed in the section entitled “Annex” below.) In the Annex, Parties may take exceptions only to the obligation to provide national and MFN treatment; there are no sectoral exceptions to the rest of the Treaty’s obligations. Finally, in adopting any exception under this provision, a Party may not require the divestment of a preexisting covered investment.

Paragraph 2 also states that a Party is not required to extend to covered investments national or MFN treatment with respect to procedures provided for in multilateral agreements concluded under the auspices of the World Intellectual Property Organization relating to the acquisition of maintenance of intellectual property rights. This provision clarifies that certain procedural preferences granted under existing conventions such as the Patent Cooperation Treaty fall outside the BIT. This exception parallels one in the Uruguay Round’s Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement and the North American Free Trade Agreement (NAFTA). This provision complements the more specific IPR-related provisions contained in the United States-Uzbekistan Bilateral Trade Agreement.

Paragraph 3 sets out a minimum standard of treatment based on standards found in customary international law. The obligations to accord “fair and equitable treatment” and “full protection and security” are explicitly cited, as is the Parties’ obligation not to impair, through unreasonable and discriminatory means, the management, conduct, operation, and sale or other disposition of covered investments. The general reference to international law also implicitly incorporates other fundamental rules of international law: for example, that sovereignty may not be grounds for unilateral revocation or amendment of a Party’s obligations to investors and investments (especially contracts), and that an investor is entitled to have any expropriation done in accordance with previous undertakings of a Party.



Paragraph 4 requires that each Party provide effective means of asserting claims and enforcing rights with respect to covered investments.

Paragraph 5 ensures that transparency of each Party's regulation of covered investments.

*Article III (Expropriation)*

Article III incorporates into the Treaty international law standards for expropriation and compensation.

Paragraph 1 describes the general rights of investors and obligations of the Parties with respect to expropriation and nationalization. These rights and obligations also apply to direct or indirect measures "tantamount to expropriation or nationalization" and thus apply to "creeping expropriations"—a series of measures which effectively amount to an expropriation of a covered investment without taking title.

Paragraph 1 further bars all expropriations or nationalizations except those that are for a public purpose; carried out in a non-discriminatory manner; in accordance with due process of law; in accordance with the general principles of treatment provided in Article II(3); and subject to "prompt, adequate, and effective compensation."

Paragraphs 2, 3, and 4 more fully describe the meaning of "prompt, adequate, and effective compensation." The guiding principle is that the investor should be made whole.

*Article IV (Compensation for Damages Due to War and Similar Events)*

Paragraph 1 entitles investments covered by the Treaty to the better of national or MFN treatment with respect to any measure relating to losses suffered in a Party's territory owing to war or other armed conflict, civil disturbances, or similar events. The unconditional obligation to pay compensation for such losses only arises when the losses result from requisitioning or from destruction not required by the necessity of the situation.

*Article V (Transfers)*

Article V protects investors from certain government exchange controls that limit current and capital account transfers, as well as limits on inward transfers made by screening authorities and limits on returns in kind.

In paragraph 1, each Party agrees to permit "transfers relating to a covered investment to be made freely and without delay into and out of its territory." Paragraph 1 also provides a list of transfers that must be allowed. The list is non-exclusive, and is intended to protect flows to both affiliated and non-affiliated entities.

Paragraph 2 provides that each Party must permit transfers to be made in a "freely usable currency" at the market rate of exchange prevailing on the date of transfer. "Freely usable" is a term used by the International Monetary Fund; at present there are five such "freely usable" currencies: the U.S. dollar, Japanese yen, German mark, French franc and British pound sterling.

In paragraph 3, each Party agrees to permit returns in kind to be made where such returns have been authorized by an invest-

ment authorization or written agreement between a Party and a covered investment.

Paragraph 4 recognizes that, notwithstanding the guarantees of paragraphs 1 through 3, a Party may prevent a transfer through the equitable, non-discriminatory and good faith enforcement of judicial orders and judgments, or application of laws relating to such fields as bankruptcy, securities, or criminal or penal offenses.

*Article VI (Performance Requirements)*

Article VI prohibits either party from mandating or enforcing performance requirements in connection with a covered investment. The list of prohibited requirements includes the use of local goods, the export of goods or services, the “balancing” of imports and exports, the transfer of technology, or the conduct of research in the host country. Such requirements are major burdens on investors and impair their competitiveness.

A Party may, however, impose conditions for receipt, or continued receipt, of an advantage—e.g., eligibility for programs maintained by the U.S. Export-Import Bank and other similar institutions.

*Article VII (Entry, Sojourn and Employment of Aliens)*

Paragraph 1 requires each Party to allow, subject to its immigration and employment laws and regulations, the entry into its territory of the other Party’s nationals for certain purposes related to a covered investment and involving the commitment of a “substantial amount of capital.” This paragraph serves to render nationals of Uzbekistan eligible for treaty-investor visas under U.S. immigration law. It also guarantees similar treatment for U.S. nationals entering the Republic of Uzbekistan. The requirement to commit a “substantial amount of capital” is intended to prevent abuse of treaty-investor status; it parallels the requirements of U.S. immigration law.

In addition, paragraph 1(b) prohibits labor certification requirements and numerical restrictions on investor-visas.

Paragraph 2 requires that each Party allow covered investments to engage top managerial personnel of their choice, regardless of nationality.

*Article VIII (State-State Consultations)*

Article VIII provides for prompt consultation between the parties, at either Party’s request, on any matter relating to the interpretation of the Treaty or to the realization of the Treaty’s objectives. A Party may thus request consultations for any matter reasonably related to the encouragement or protection of covered investment, whether or not a Party is alleging a violation of the Treaty.

*Article IX (Settlement of Disputes Between One Party and a National or Company of the Other Party)*

Article IX sets forth several means by which disputes between an investor and a Party may be settled.

Article IX procedures apply to an “investment dispute,” which covers any dispute arising out of or relating to an investment au-

thorization, an investment agreement, or an alleged breach of rights granted or recognized by the Treaty with respect to a covered investment.

In the event that an investment dispute cannot be settled amicably, paragraph 2 gives a national or company an exclusive (with the exception in paragraph 3(b) concerning injunctive relief, explained below) choice among three options to settle the dispute<sup>1</sup>; (2) invoking dispute-resolution procedures previously agreed upon by the national or company and the host country government; or (3) invoking the dispute-resolution mechanisms provided for in paragraph 3 of Article IX.

Under paragraph 3 (a), the investor can submit an investment dispute to binding arbitration three months after the dispute arises, provided that the investor has not submitted the claim to a court or administrative tribunal of the Party or invoked a dispute resolution procedure previously agreed upon in an investment agreement. The investor may choose among the International Centre for Settlement of Investment Disputes (ICSID) (Convention Arbitration), the Additional Facility of ICSID (if the Convention Arbitration is not available), ad hoc arbitration using the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), or any other arbitration institution or rules agreed upon by both parties to the dispute.

Before or during such arbitral proceedings, however, paragraph 3(b) provides that a national or company may seek, without affecting its right to pursue arbitration under this Treaty, interim injunctive relief not involving the payment of damages from local courts or administrative tribunals for the preservation of its rights and interests. This paragraph does not alter the power of the arbitral tribunals to recommend or order interim measures they may deem appropriate.

Paragraph 4 constitutes each Party's consent to the submission of investment disputes to binding arbitration in accordance with the choice of the national or company.

Paragraph 5 provides that any non-ICSID arbitration shall take place in a country that is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. This provision expands the ability of investors to obtain enforcement of arbitral awards.

In addition, in paragraph 6, each Party commits to enforcing arbitral awards rendered pursuant to this Article. The Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) satisfies the requirement for the enforcement of non-ICSID awards in the United States. The Convention on the Settlement of Investment Disputes Act of 1966 (22 U.S.C. §§ 1650, 1650a) provides for the enforcement of ICSID awards.

Paragraph 7 ensures that a Party may not assert as a defense, or for any other reason, that the company or national involved in the investment dispute has received or will receive reimbursement for the same damages under an insurance or guarantee contract.

<sup>1</sup>Like the treaties of Friendship, Commerce and Navigation (FCN), which preceded them (the BIT program is a successor to the FCN program), BITs provide a basis for nationals and companies of the other Party to allege Treaty violations in courts of the United States.

Paragraph 8 ensures that for any arbitration, including ICSID Convention Arbitration, the nationality of a company in the host country will be determined by ownership or control, rather than by place of incorporation. This ensures that a claim may be brought by an investor's subsidiary in the host country.

*Article X (Settlement of Disputes Between the Parties)*

Article X provides for binding arbitration of disputes between the United States and the Republic of Uzbekistan concerning the interpretation or application of the Treaty that are not resolved through consultations or other diplomatic channels. The article constitutes each Party's prior consent to arbitration.

*Article XI (Preservation of Rights)*

Article XI clarifies that the Treaty does not derogate from any obligation a Party might have to provide better treatment to the covered investment than is specified in the Treaty. Thus, the Treaty establishes a floor for the treatment of covered investments. An investor may be entitled to more favorable treatment through domestic legislation, other international legal obligations, or a specific obligation (e.g., to provide a tax holiday) assumed by a Party with respect to that investor.

*Article XII (Denial of Benefits)*

Article XII(a) preserves the right of each Party to deny the benefits of the Treaty to firms owned or controlled by nationals of a non-Party country with which the denying Party does not have normal economic relations; e.g., a country to which it is applying economic sanctions. For example, at this time the United States does not maintain normal economic relations with, among other countries, Cuba or Libya.

Article XII(b) permits each Party to deny the benefits of the Treaty to a company of the other Party if the company is owned or controlled by non-Party nationals and if the company has no substantial business activities in the Party where it is established. Thus, the United States could deny benefits to a company which is a subsidiary of a shell company organized under the laws of the Republic of Uzbekistan if controlled by nationals of a third country. However, this provision would not generally permit the United States to deny benefits to an investment of the Republic of Uzbekistan that maintains its central administration or principal place of business in the territory of, or has a real and continuous link with, the Republic of Uzbekistan.

*Article XIII (Taxation)*

Article XIII excludes tax matters generally from the coverage of the BIT, on the basis that tax matters should be dealt with in bilateral tax treaties. However, Article XIII does not preclude a national or company from bringing claims under Article IX that taxation provisions in an investment agreement or authorization have been violated, or that tax matters resulted in, or constituted, an expropriation of a covered investment.

Under paragraph 2, a national or company that asserts in a dispute that a tax matter involves expropriation may submit that dis-

pute to arbitration pursuant to Article IX(3) only if (1) the investor has first referred to the competent tax authorities of both Parties the issue of whether the tax matter involves an expropriation, and (2) the tax authorities have not both determined, within nine months from the time of referral, that the matter does not involve expropriation. The “competent tax authority” of the United States is the Assistant Secretary of the Treasury for International Tax Policy, who will make this determination only after consultation with the Inter-Agency Staff Coordinating Group on Expropriations.

*Article XIV (Measures Not Precluded)*

The first paragraph of Article XIV reserves the right of a Party to take measures for the fulfillment of its international obligations with respect to international peace and security, as well as those measures it regards as necessary for the protection of its own essential security interests.

International obligations with respect to peace and security would include, for example, obligations arising out of Chapter VII of the United Nations Charter. Measures permitted by the provision on the protection of a Party’s essential security interests would include security-related actions taken in time of war or national emergency. Actions not arising from a state of war or national emergency must have a clear and direct relationship to the essential security interests of the Party involved. Measures to protect a Party’s essential security interests are self-judging in nature, although each Party would expect the provisions to be applied by the other in good faith. These provisions are common in international investment agreements.

The second paragraph permits a Party to prescribe special formalities in connection with covered investments, provided that these formalities do not impair the substance of any Treaty rights. Such formalities could include reporting requirements for covered investments or for transfers of funds, or incorporation requirements.

*Article XV (Application to Political Subdivisions and State Enterprises of the Parties)*

Paragraph 1(a) makes clear that the obligations of the Treaty are applicable to all political subdivisions of the Parties, such as provincial, State and local governments.

Paragraph 1(b) recognizes that under the U.S. federal system, States of the United States may, in some instances, treat out-of-state residents and corporations in a different manner than they treat in-State residents and corporations. The Treaty provides that the national treatment commitment, with respect to the States, means treatment no less favorable than that provided by a State to U.S. out-of-State residents and corporations.

Paragraph 2 extends a Party’s obligations under the Treaty to its state enterprises in the exercise of any delegated authority. This paragraph is designed to clarify that the exercise of governmental authority by a state enterprise must be consistent with a Party’s obligations under the Treaty.

*Article XVI (Entry Into Force, Duration, and Termination)*

The Treaty enters into force thirty days after exchange of instruments of ratification and continues in force for a period of ten years. From the date of its entry into force, the Treaty applies to all activities of both Parties with respect to preexisting and newly established investments alike. After this ten-year term, the Treaty will continue in force unless terminated. If the Treaty is terminated, all investments that qualified as covered investments on the date of termination (i.e., one year after written notice) continue to be protected under the Treaty for ten years from that date as long as these investments qualify as covered investments. Such coverage would continue to extend fully to such an investment as it grew—whether by reinvestment, expansion, or merger.

A Party's obligations to accord the right to establish or acquire investments would lapse immediately upon the date of termination of the Treaty.

Paragraph 4 stipulates that the Annex shall form an integral part of the Treaty.

*Annex*

U.S. bilateral investment treaties allow for exceptions to national and MFN treatment because the Parties' domestic regimes may provide for derogations from national and MFN treatment, and because treatment in certain sectors and matters is negotiated in and governed by other agreements. Future derogations from the national treatment obligations of the Treaty are generally permitted only in the sectors or matters listed in the Annex pursuant to Article II, paragraph 2, and must be made on an MFN basis unless otherwise specified therein.

Under a number of statutes, many of which have a long historical background, the U.S. federal government or States may not necessarily treat investments of nationals or companies of Uzbekistan as they do U.S. investments or investments from a third country. Paragraphs 1 through 3 of the Annex list the sections or matters affected by such statutes.

The U.S. exceptions from its national treatment commitments are: atomic energy; custom house brokers; licenses for broadcast, common carrier, or aeronautical radio stations; COMSAT; subsidies or grants, including government supported loans, guarantees, and insurance; State and local measures exempt from Article 1102 of the North American Free Trade Agreement pursuant to Article 1108 thereof; and landing of submarine cables.

In paragraph 2 of the Annex, the United States excludes fisheries; air and maritime transport, and related activities; and leasing of pipeline rights-of-way on Government lands from its most-favored-nation and national treatment commitments.

During negotiations, the United States informed Uzbekistan that if Uzbekistan undertook acceptable commitments with respect to all or certain financial services, the United States would consider limiting its exceptions with respect to national and most-favored-nation treatment in financial services.

Uzbekistan's offer to take no exceptions to the treaty's national or most-favored-nation treatment obligations with respect to financial services was judged acceptable. Therefore, in Paragraph 3 of

the Annex, the United States has limited its exceptions with respect to financial services to afford treatment no less favorable than that accorded with respect to Canada and Mexico in the North American Free Trade Agreement.

Paragraph 4 of the Annex lists Uzbekistan's exceptions to national treatment, which are: production, processing, sale and storage of uranium and other fissionable materials; air and railway transport, and related activities; customhouse brokers; subsidies or grants, including government-supported loans, guarantees and insurance; broadcasting, including radio and television. These exceptions are based on current Uzbeki law or regulations.

Paragraph 5 lists Uzbekistan's exclusions from its obligations to provide most-favored-nation treatment: production and sale of hardware, ammunition, poisonous substances and toxic substances, for military use; and planting, cultivation, processing, production and sale of crops containing narcotic substances.

Paragraph 6 of the Annex ensures that reciprocal national treatment is granted in leasing of minerals on Government lands. In creating this positive right to reciprocal national treatment, this provision affects the implementation of the Mineral Lands Leasing Act (MLLA) and 10 U.S.C. § 7435, with respect to nationals and companies of the Republic of Uzbekistan. The Treaty provides for resort to binding international arbitration to resolve disputes, rather than denial of mineral rights to investors of the other Party, as is the current process under the statute. U.S. domestic remedies would, however, remain available for use in conjunction with the Treaty's provisions.

The MLLA and 10 U.S.C. § 7435 direct that if a foreign country does not grant national treatment to U.S. investors in leases for minerals on on-shore federal lands, leases of land within the Naval Petroleum and Oil Shale Reserves, and rights-of-way for oil or gas pipelines across on-shore federal lands, investors from the country may not be granted national treatment.

Uzbekistan's extension of national treatment in leasing of minerals on Government lands partially meets the objectives of the MLLA and 10 U.S.C. § 7435. Uzbekistan was informed during negotiations that, since it could not explicitly commit to granting national treatment in leasing of pipeline rights-of-way on Government lands, the United States would not (consistent with the MLLA and 10 U.S.C. § 7435) grant most-favored-nation treatment to the leasing of pipeline rights-of-way on Government lands. Thus, the United States has included leasing of pipeline rights-of-way on Government lands on its Annex list of exceptions to national and most-favored-nation treatment.

The listing of a sector does not necessarily signify that domestic laws have entirely reserved it for nationals. And, pursuant to Article II, paragraph 2(a) of the Treaty, any additional restrictions or limitations which a Party may adopt with respect to listed sectors or matters may not compel the divestiture of existing covered investments.

Finally, listing a sector or matter in the Annex exempts a Party only from the obligation to accord national or most-favored-nation treatment. Both Parties are obligated to accord to covered invest-

ments in all sectors—even those listed in the Annex—all other rights conferred by the Treaty.

The other U.S. Government agencies which negotiated the Treaty join me in recommending that it be transmitted to the Senate at an early date.

Respectfully submitted,

WARREN CHRISTOPHER.



TREATY BETWEEN  
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND  
THE GOVERNMENT OF THE REPUBLIC OF UZBEKISTAN  
CONCERNING THE ENCOURAGEMENT  
AND RECIPROCAL PROTECTION OF INVESTMENT

The Government of the United States of America and the Government of the Republic of Uzbekistan (hereinafter the "Parties");

Desiring to promote greater economic cooperation between them, with respect to investment by nationals and companies of one Party in the territory of the other Party;

Recognizing that agreement upon the treatment to be accorded such investment will stimulate the flow of private capital and the economic development of the Parties;

Agreeing that a stable framework for investment will maximize effective utilization of economic resources and improve living standards;

Recognizing that the development of economic and business ties can promote respect for internationally recognized worker rights;

Agreeing that these objectives can be achieved without relaxing health, safety and environmental measures of general application; and

Having resolved to conclude a treaty concerning the encouragement and reciprocal protection of investment;

Have agreed as follows:

# ARTICLE I

For the purposes of this Treaty,

(a) "company" means any entity constituted or organized under applicable law, whether or not for profit, and whether privately or governmentally owned or controlled, and includes a corporation, trust, partnership, sole proprietorship, branch, joint venture, association, or other organization;

(b) "company of a Party" means a company constituted or organized under the laws of that Party;

(c) "national" of a Party means a natural person who is a national of that Party under its applicable law;

(d) "investment" of a national or company means every kind of investment owned or controlled directly or indirectly by that national or company, and includes investment consisting or taking the form of:

(i) a company;

(ii) shares, stock, and other forms of equity participation, and bonds, debentures, and other forms of debt interests, in a company;

(iii) contractual rights, such as under turnkey, construction or management contracts, production or revenue-sharing contracts, concessions, or other similar contracts;

(iv) tangible property, including real property; and intangible property, including rights, such as leases, mortgages, liens and pledges;

(v) intellectual property, including:

copyrights and related rights,

patents,

rights in plant varieties,

industrial designs,

rights in semiconductor layout designs,

trade secrets, including know-how and confidential business information,

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trade and service marks, and  
trade names; and

(vi) rights conferred pursuant to law, such as  
licenses and permits;

(e) "covered investment" means an investment of a  
national or company of a Party in the territory of the other  
Party;

(f) "state enterprise" means a company owned, or  
controlled through ownership interests, by a Party;

(g) "investment authorization" means an authorization  
granted by the foreign investment authority of a Party to a  
covered investment or a national or company of the other Party;

(h) "investment agreement" means a written agreement  
between the national authorities of a Party and a covered  
investment or a national or company of the other Party that (i)  
grants rights with respect to natural resources or other assets  
controlled by the national authorities and (ii) the investment,  
national or company relies upon in establishing or acquiring a  
covered investment;

(i) "ICSID Convention" means the Convention on the  
Settlement of Investment Disputes between States and Nationals  
of Other States, done at Washington, March 18, 1965;

(j) "Centre" means the International Centre for  
Settlement of Investment Disputes established by the ICSID  
Convention; and

(k) "UNCITRAL Arbitration Rules" means the arbitration  
rules of the United Nations Commission on International Trade  
Law.

## ARTICLE II

1. With respect to the establishment, acquisition,  
expansion, management, conduct, operation and sale or other  
disposition of covered investments, each Party shall accord  
treatment no less favorable than that it accords, in like  
situations, to investments in its territory of its own nationals  
or companies (hereinafter "national treatment") or to  
investments in its territory of nationals or companies of a  
third country (hereinafter "most favored nation treatment"),  
whichever is most favorable (hereinafter "national and most  
favored nation treatment"). Each Party shall ensure that its

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state enterprises, in the provision of their goods or services, accord national and most favored nation treatment to covered investments.

2. (a) A Party may adopt or maintain exceptions to the obligations of paragraph 1 in the sectors or with respect to the matters specified in the Annex to this Treaty. In adopting such an exception, a Party may not require the divestment, in whole or in part, of covered investments existing at the time the exception becomes effective.

(b) The obligations of paragraph 1 do not apply to procedures provided in multilateral agreements concluded under the auspices of the World Intellectual Property Organization relating to the acquisition or maintenance of intellectual property rights.

3. (a) Each Party shall at all times accord to covered investments fair and equitable treatment and full protection and security, and shall in no case accord treatment less favorable than that required by international law.

(b) Neither Party shall in any way impair by unreasonable and discriminatory measures the management, conduct, operation, and sale or other disposition of covered investments.

4. Each Party shall provide effective means of asserting claims and enforcing rights with respect to covered investments.

5. Each Party shall ensure that its laws, regulations, administrative practices and procedures of general application, and adjudicatory decisions, that pertain to or affect covered investments are promptly published or otherwise made publicly available.

#### ARTICLE III

1. Neither Party shall expropriate or nationalize a covered investment either directly or indirectly through measures tantamount to expropriation or nationalization ("expropriation") except for a public purpose; in a non-discriminatory manner; upon payment of prompt, adequate and effective compensation; and in accordance with due process of law and the general principles of treatment provided for in Article II(3).

2. Compensation shall be paid without delay; be equivalent to the fair market value of the expropriated investment

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immediately before the expropriatory action was taken ("the date of expropriation"); and be fully realisable and freely transferable. The fair market value shall not reflect any change in value occurring because the expropriatory action had become known before the date of expropriation.

3. If the fair market value is denominated in a freely usable currency, the compensation paid shall be no less than the fair market value on the date of expropriation, plus interest at a commercially reasonable rate for that currency, accrued from the date of expropriation until the date of payment.

4. If the fair market value is denominated in a currency that is not freely usable, the compensation paid -- converted into the currency of payment at the market rate of exchange prevailing on the date of payment -- shall be no less than:

(a) the fair market value on the date of expropriation, converted into a freely usable currency at the market rate of exchange prevailing on that date, plus

(b) interest, at a commercially reasonable rate for that freely usable currency, accrued from the date of expropriation until the date of payment.

#### ARTICLE IV

1. Each Party shall accord national and most favored nation treatment to covered investments as regards any measure relating to losses that investments suffer in its territory owing to war or other armed conflict, revolution, state of national emergency, insurrection, civil disturbance, or similar events.

2. Each Party shall accord restitution, or pay compensation in accordance with paragraphs 2 through 4 of Article III, in the event that covered investments suffer losses in its territory, owing to war or other armed conflict, revolution, state of national emergency, insurrection, civil disturbance, or similar events, that result from:

(a) requisitioning of all or part of such investments by the Party's forces or authorities, or

(b) destruction of all or part of such investments by the Party's forces or authorities that was not required by the necessity of the situation.

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## ARTICLE V

1. Each Party shall permit all transfers relating to a covered investment to be made freely and without delay into and out of its territory. Such transfers include:

- (a) contributions to capital;
- (b) profits, dividends, capital gains, and proceeds from the sale of all or any part of the investment or from the partial or complete liquidation of the investment;
- (c) interest, royalty payments, management fees, and technical assistance and other fees;
- (d) payments made under a contract, including a loan agreement; and
- (e) compensation pursuant to Articles III and IV, and payments arising out of an investment dispute.

2. Each Party shall permit transfers to be made in a freely usable currency at the market rate of exchange prevailing on the date of transfer.

3. Each Party shall permit returns in kind to be made as authorized or specified in an investment authorization, investment agreement, or other written agreement between the Party and a covered investment or a national or company of the other Party.

4. Notwithstanding paragraphs 1 through 3, a Party may prevent a transfer through the equitable, non-discriminatory and good faith application of its laws relating to:

- (a) bankruptcy, insolvency or the protection of the rights of creditors;
- (b) issuing, trading or dealing in securities;
- (c) criminal or penal offenses; or
- (d) ensuring compliance with orders or judgments in adjudicatory proceedings.

## ARTICLE VI

Neither Party shall mandate or enforce, as a condition for the establishment, acquisition, expansion, management, conduct

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or operation of a covered investment, any requirement (including any commitment or undertaking in connection with the receipt of a governmental permission or authorization):

(a) to achieve a particular level or percentage of local content, or to purchase, use or otherwise give a preference to products or services of domestic origin or from any domestic source;

(b) to limit imports by the investment of products or services in relation to a particular volume or value of production, exports or foreign exchange earnings;

(c) to export a particular type, level or percentage of products or services, either generally or to a specific market region;

(d) to limit sales by the investment of products or services in the Party's territory in relation to a particular volume or value of production, exports or foreign exchange earnings;

(e) to transfer technology, a production process or other proprietary knowledge to a national or company in the Party's territory, except pursuant to an order, commitment or undertaking that is enforced by a court, administrative tribunal or competition authority to remedy an alleged or adjudicated violation of competition laws; or

(f) to carry out a particular type, level or percentage of research and development in the Party's territory.

Such requirements do not include conditions for the receipt or continued receipt of an advantage.

#### ARTICLE VII

1. (a) Subject to its laws relating to the entry and sojourn of aliens, each Party shall permit to enter and to remain in its territory nationals of the other Party for the purpose of establishing, developing, administering or advising on the operation of an investment to which they, or a company of the other Party that employs them, have committed or are in the process of committing a substantial amount of capital or other resources.

(b) Neither Party shall, in granting entry under paragraph 1(a), require a labor certification test or other procedures of similar effect, or apply any numerical restriction.

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2. Each Party shall permit covered investments to engage top managerial personnel of their choice, regardless of nationality.

#### ARTICLE VIII

The Parties agree to consult promptly, on the request of either, to resolve any disputes in connection with the Treaty, or to discuss any matter relating to the interpretation or application of the Treaty or to the realization of the objectives of the Treaty.

#### ARTICLE IX

1. For purposes of this Treaty, an investment dispute is a dispute between a Party and a national or company of the other Party arising out of or relating to an investment authorization, an investment agreement or an alleged breach of any right conferred, created or recognized by this Treaty with respect to a covered investment.

2. A national or company that is a party to an investment dispute may submit the dispute for resolution under one of the following alternatives:

(a) to the courts or administrative tribunals of the Party that is a party to the dispute; or

(b) in accordance with any applicable, previously agreed dispute-settlement procedures; or

(c) in accordance with the terms of paragraph 3.

3. (a) Provided that the national or company concerned has not submitted the dispute for resolution under paragraph 2(a) or (b), and that three months have elapsed from the date on which the dispute arose, the national or company concerned may submit the dispute for settlement by binding arbitration:

(i) to the Centre, if the Centre is available; or

(ii) to the Additional Facility of the Centre, if the Centre is not available; or

(iii) in accordance with the UNCITRAL Arbitration Rules; or

(iv) if agreed by both parties to the dispute, to any other arbitration institution or in accordance with any other arbitration rules.



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(b) A national or company, notwithstanding that it may have submitted a dispute to binding arbitration under paragraph 3(a), may seek interim injunctive relief, not involving the payment of damages, before the judicial or administrative tribunals of the Party that is a party to the dispute, prior to the institution of the arbitral proceeding or during the proceeding, for the preservation of its rights and interests.

4. Each Party hereby consents to the submission of any investment dispute for settlement by binding arbitration in accordance with the choice of the national or company under paragraph 3(a)(i), (ii), and (iii) or the mutual agreement of both parties to the dispute under paragraph 3(a)(iv). This consent and the submission of the dispute by a national or company under paragraph 3(a) shall satisfy the requirement of:

(a) Chapter II of the ICSID Convention (Jurisdiction of the Centre) and the Additional Facility Rules for written consent of the parties to the dispute; and

(b) Article II of the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York, June 10, 1958, for an "agreement in writing".

5. Any arbitration under paragraph 3(a)(ii), (iii) or (iv) shall be held in a state that is a party to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York, June 10, 1958.

6. Any arbitral award rendered pursuant to this Article shall be final and binding on the parties to the dispute. Each Party shall carry out without delay the provisions of any such award and provide in its territory for the enforcement of such award.

7. In any proceeding involving an investment dispute, a Party shall not assert, as a defense, counterclaim, right of set-off or for any other reason, that indemnification or other compensation for all or part of the alleged damages has been received or will be received pursuant to an insurance or guarantee contract.

8. For purposes of Article 25(2)(b) of the ICSID Convention and this Article, a company of a Party that, immediately before the occurrence of the event or events giving rise to an investment dispute, was a covered investment, shall be treated as a company of the other Party.

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## ARTICLE X

1. Any dispute between the Parties concerning the interpretation or application of the Treaty, that is not resolved through consultations or other diplomatic channels, shall be submitted upon the request of either Party to an arbitral tribunal for binding decision in accordance with the applicable rules of international law. In the absence of an agreement by the Parties to the contrary, the UNCITRAL Arbitration Rules shall govern, except to the extent these rules are (a) modified by the Parties or (b) modified by the arbitrators unless either Party objects to the proposed modification.

2. Within two months of receipt of a request, each Party shall appoint an arbitrator. The two arbitrators shall select a third arbitrator as Chairman, who shall be a national of a third State. The UNCITRAL Arbitration Rules applicable to appointing members of three member panels shall apply *mutatis mutandis* to the appointment of the arbitral panel except that the appointing authority referenced in those rules shall be the Secretary General of the Centre.

3. Unless otherwise agreed, all submissions shall be made and all hearings shall be completed within six months of the date of selection of the third arbitrator, and the arbitral panel shall render its decisions within two months of the date of the final submissions or the date of the closing of the hearings, whichever is later.

4. Expenses incurred by the Chairman and other arbitrators, and other costs of the proceedings, shall be paid for equally by the Parties. However, the arbitral panel may, at its discretion, direct that a higher proportion of the costs be paid by one of the Parties.

## ARTICLE XI

This Treaty shall not derogate from any of the following that entitle covered investments to treatment more favorable than that accorded by this Treaty:

(a) laws and regulations, administrative practices or procedures, or administrative or adjudicatory decisions of a Party;

(b) international legal obligations; or

(c) obligations assumed by a Party, including those contained in an investment authorization or an investment agreement.

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#### ARTICLE XII

Each Party reserves the right to deny to a company of the other Party the benefits of this Treaty if nationals of a third country own or control the company and:

(a) the denying Party does not maintain normal economic relations with the third country; or

(b) the company has no substantial business activities in the territory of the Party under whose laws it is constituted or organized.

#### ARTICLE XIII

1. No provision of this Treaty shall impose obligations with respect to tax matters, except that:

(a) Articles III, IX and X will apply with respect to expropriation; and

(b) Article IX will apply with respect to an investment agreement or an investment authorization.

2. A national or company, that asserts in an investment dispute that a tax matter involves an expropriation, may submit that dispute to arbitration pursuant to Article IX(3) only if:

(a) the national or company concerned has first referred to the competent tax authorities of both Parties the issue of whether the tax matter involves an expropriation; and

(b) the competent tax authorities have not both determined, within nine months from the time the national or company referred the issue, that the matter does not involve an expropriation.

#### ARTICLE XIV

1. This Treaty shall not preclude a Party from applying measures necessary for the fulfillment of its obligations with respect to the maintenance or restoration of international peace or security, or the protection of its own essential security interests.

2. This Treaty shall not preclude a Party from prescribing special formalities in connection with covered investments, such

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as a requirement that such investments be legally constituted under the laws and regulations of that Party, or a requirement that transfers of currency or other monetary instruments be reported, provided that such formalities shall not impair the substance of any of the rights set forth in this Treaty.

## ARTICLE XV

1. (a) The obligations of this Treaty shall apply to the political subdivisions of the Parties.

(b) With respect to the treatment accorded by a State, Territory or possession of the United States of America, national treatment means treatment no less favorable than the treatment accorded thereby, in like situations, to investments of nationals of the United States of America resident in, and companies legally constituted under the laws and regulations of, other States, Territories or possessions of the United States of America.

2. A Party's obligations under this Treaty shall apply to a state enterprise in the exercise of any regulatory, administrative or other governmental authority delegated to it by that Party.

## ARTICLE XVI

1. This Treaty shall enter into force thirty days after the date of exchange of instruments of ratification. It shall remain in force for a period of ten years and shall continue in force unless terminated in accordance with paragraph 2. It shall apply to covered investments existing at the time of entry into force as well as to those established or acquired thereafter.

2. A Party may terminate this Treaty at the end of the initial ten year period or at any time thereafter by giving one year's written notice to the other Party.

3. For ten years from the date of termination, all other Articles shall continue to apply to covered investments established or acquired prior to the date of termination, except insofar as those Articles extend to the establishment or acquisition of covered investments.

4. The Annex shall form an integral part of the Treaty.

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IN WITNESS WHEREOF, the respective plenipotentiaries have signed this Treaty.

DONE in duplicate at Washington this sixteenth day of December, 1994, in the English language. An Uzbek language text shall be prepared which shall be considered equally authentic upon an exchange of diplomatic notes confirming its conformity with the English language text.

FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA:



FOR THE GOVERNMENT OF THE  
REPUBLIC OF UZBEKISTAN:



Annex

1. The Government of the United States of America may adopt or maintain exceptions to the obligation to accord national treatment to covered investments in the sectors or with respect to the matters specified below:

atomic energy; custom house brokers; licenses for broadcast, common carrier, or aeronautical radio stations; COMSAT; subsidies or grants, including government-supported loans, guarantees and insurance; state and local measures exempt from Article 1102 of the North American Free Trade Agreement pursuant to Article 1108 thereof; landing of submarine cables.

Most favored nation treatment shall be accorded in the sectors and matters indicated above.

2. The Government of the United States of America may adopt or maintain exceptions to the obligation to accord national and most favored nation treatment to covered investments in the sectors or with respect to the matters specified below:

fisheries; air and maritime transport, and related activities; leasing of pipeline rights-of-way on Government lands.

3. The Government of the United States of America may adopt or maintain exceptions to the obligation to accord national and most favored nation treatment to covered investments, provided that the exceptions do not result in treatment under this Treaty less favorable than the treatment that the Government of the United States of America has undertaken to accord in the North American Free Trade Agreement with respect to another party to that Agreement, in the sectors or with respect to the matters specified below:

banking, insurance, securities, and other financial services.

4. The Government of the Republic of Uzbekistan may adopt or maintain exceptions to the obligation to accord national treatment to covered investments in the sectors or with respect to the matters specified below:

production, processing, sale and storage of uranium and other fissionable materials; air and railway transport, and related activities; pipelines and related activities; customhouse brokers; subsidies or grants, including

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government-supported loans, guarantees and insurance;  
broadcasting, including radio and television.

Most favored nation treatment shall be accorded in the sectors  
and matters indicated above.

5. The Government of the Republic of Uzbekistan may adopt or  
maintain exceptions to the obligation to accord national and  
most favored nation treatment to covered investments in the  
sectors or with respect to the matters specified below:

production and sale of hardware, ammunition, poisonous  
substances and toxic substances, for military use;  
planting, cultivation, processing, production and sale of  
crops containing narcotic substances.

6. Each Party agrees to accord national treatment to covered  
investments in the following sector:

leasing of minerals on Government lands.