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SENATE

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108-19

ADDITIONAL INVESTMENT PROTOCOL WITH THE  
SLOVAK REPUBLIC

MESSAGE

FROM

**THE PRESIDENT OF THE UNITED STATES**

TRANSMITTING

ADDITIONAL PROTOCOL BETWEEN THE UNITED STATES OF AMERICA AND THE SLOVAK REPUBLIC TO THE TREATY BETWEEN THE UNITED STATES OF AMERICA AND THE CZECH AND SLOVAK FEDERAL REPUBLIC CONCERNING THE RECIPROCAL ENCOURAGEMENT AND PROTECTION OF INVESTMENT OF OCTOBER 22, 1991, SIGNED AT BRUSSELS ON SEPTEMBER 22, 2003



MARCH 12, 2004.—The Protocol 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

U.S. GOVERNMENT PRINTING OFFICE



## **LETTER OF TRANSMITTAL**

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THE WHITE HOUSE, March 12, 2004.

*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 Additional Protocol Between the United States of America and the Slovak Republic to the Treaty Between the United States of America and The Czech and Slovak Federal Republic Concerning the Reciprocal Encouragement and Protection of Investment of October 22, 1991, signed at Brussels on September 22, 2003. I transmit also, for the information of the Senate, the report of the Department of State with respect to this Protocol.

I have already forwarded to the Senate similar Protocols for Romania and Bulgaria and now forward simultaneously to the Senate Protocols for the Czech Republic, Estonia, Latvia, Lithuania, Poland, and the Slovak Republic. Each of these Protocols is the result of an understanding the United States reached with the European Commission and these six countries that will join the European Union (EU) on May 1, 2004, as well as with Bulgaria and Romania, which are expected to join the EU in 2007.

This understanding is designed to preserve U.S. bilateral investment treaties (BITs) with each of these countries after their accession to the EU by establishing a framework acceptable to the European Commission for avoiding or remedying present and possible future incompatibilities between their BIT obligations and their future obligations of EU membership. It expresses the U.S. intent to amend the U.S. BITs, including the BIT with the Slovak Republic, in order to eliminate incompatibilities between certain BIT obligations and EU law. It also establishes a framework for addressing any future incompatibilities that may arise as EU authority in the area of investment expands in the future, and endorses the principle of protecting existing U.S. investments from any future EU measures that may restrict foreign investment in the EU.

The United States has long championed the benefits of an open investment climate, both at home and abroad. It is the policy of the United States to welcome market-driven foreign investment and to permit capital to flow freely to seek its highest return. This Protocol preserves the U.S. BIT with the Slovak Republic, with which the United States has an expanding relationship, and the protections it affords U.S. investors even after the Slovak Republic joins the EU. Without it, the European Commission would likely require the Slovak Republic to terminate its U.S. BIT upon accession because of existing and possible future incompatibilities between our current BIT and EU law.

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

GEORGE W. BUSH.

## **LETTER OF SUBMITTAL**

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DEPARTMENT OF STATE,  
*December 31, 2003.*

The PRESIDENT,  
*The White House.*

THE PRESIDENT: I have the honor to submit to you the Additional Protocol Between the United States of America and the Slovak Republic amending the Treaty Between the United States of America and the Czech and Slovak Federal Republic Concerning the Reciprocal Encouragement and Protection of Investment of October 22, 1991, signed at Brussels on September 22, 2003. I recommend that this protocol be transmitted to the Senate for its advice and consent to ratification.

This protocol is the result of an understanding that the United States reached with the European Commission and six countries that will join the European Union ("EU") on May 1, 2004 (the Czech Republic, Estonia, Latvia, Lithuania, Poland and the Slovak Republic), as well as with Bulgaria and Romania, which are expected to join the EU in 2007.

The understanding is designed to preserve our bilateral investment treaties ("BITs") with these countries after their accession to the EU by establishing a framework for avoiding or remedying present and possible future incompatibilities between our BITs with these eight countries and their future obligations of EU membership. In this regard, the understanding expresses the U.S. intent to conclude substantively identical amendments and formal interpretations of the BITs with each of these eight countries.

In addition, the understanding establishes a framework for addressing any future incompatibilities that may arise as European Union authority in the area of investment expands and evolves in the future. It endorses the principle of protecting existing U.S. investments in these countries from any future EU measures that may restrict foreign investment in the EU, and also clarifies certain protections afforded to U.S. investments in individual member states of the EU under the Treaty Establishing the European Community ("EC Treaty").

Finally, the understanding calls for the United States and each BIT partner to interpret, through an exchange of notes, two BIT provisions: (1) the right of each BIT Party to take measures necessary for the protection of its own essential security interests, and (2) the BIT prohibition on performance requirements.

Both interpretations were undertaken at the request of the European Commission to confirm the mutual understanding of the United States and the Slovak Republic in the context of EU en-

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largement. For example, the interpretation of the BIT provision on essential security interests confirms that, for the Slovak Republic, these interests may include interests deriving from the Slovak Republic's membership in the EU. As concerns the BIT prohibition on performance requirements, many U.S. BITs include a provision explicitly stating that the prohibition on performance requirements does not extend to conditions for the receipt or continued receipt of an advantage. The interpretation relating to performance requirements makes this explicit with respect to the U.S.-Slovak BIT. The two interpretations are enclosed for the information of the Senate.

Investment by the United States has played an important role in the economic transformation of these eight countries, and the U.S. BITs have afforded important protections to U.S. investors. Prior to acceding to the EU, however, the European Commission has required that these countries terminate any international treaty containing incompatibilities with EU law. Without the understanding and the steps contemplated therein, including the specific amendments in this protocol, these countries would be required to terminate their U.S. BITs and the great majority of protections these treaties afford U.S. investors. Therefore, the understanding, together with the interpretations and specific amendments in the protocol, will preserve the benefits of these treaties and provide important additional protections for U.S. investors as the EU continues to evolve.

#### THE U.S.-SLOVAK PROTOCOL

The United States champions EU enlargement and, at the same time, intends that this BIT will continue to mutually benefit U.S. and Slovak investors. By undertaking these amendments of the BIT with the Slovak Republic, which would be brought into force just prior to its accession, incompatibilities between BIT protections and EU law are eliminated, and any future problems in this respect are addressed through a framework for consultations. This action preserves our BIT with the Slovak Republic after its accession to the EU, and is consistent with the policy of the United States to welcome-driven foreign investment and to permit capital to flow freely to seek its highest return. The Slovak Republic is one of the newly democratized countries in Europe transitioning to a market economy, and foreign direct investment into the Slovak Republic is very much in both our countries' interests. Protection for investors facilitates investment activity, and thus directly supports U.S. policy objectives.

The principal substantive articles of the protocol provide as follows:

Article I: that the articles of the BIT prohibiting Slovak Republic's ability to impose, as necessary under EU law, certain kinds of performance requirements in the agricultural and audio-visual sectors;

Article II: that the terms of the free trade area/customs union exception of the BIT shall apply, without limitation, to all of a Party's obligations stemming from its membership in an economic integration agreement that includes a free trade area or customs union, such as the EU;

Article III: that the BIT parties will consult promptly whenever either Party believes that steps are necessary to assure compatibility between the BIT and the EC Treaty;

Article IV: that, in certain specified sectors or matters, the Slovak Republic may take a reservation against the national treatment and most-favored-nation treatment obligations of the BIT, provided such reservation is necessary to meet the Slovak Republic's obligations under EU law, and subject to the following exception:

that, notwithstanding any such new reservation, existing U.S. investments in the Slovak Republic shall remain protected under the national treatment and most-favored-nation treatment obligations of the BIT for at least 10 years from the date of the relevant EU law necessitating the reservation; and finally,

that the United States reserves the right to make or maintain limited exceptions to the national treatment obligation in two new sectors or matters, fisheries and subsidies, and to the most-favored-nation treatment obligation on one new sector fisheries.

With respect to future developments in EU law, the United States recognizes that the possibility exists that these amendments may not suffice to ensure compatibility, and that consultations would be necessary to avoid or eliminate any incompatibilities that may arise. As noted above, the United States and the Slovak Republic expressly agree to such consultations in the protocol.

I support this protocol to the U.S. BIT with the Slovak Republic, and I favor its transmission to the Senate at an early date.

Respectfully submitted.

COLIN L. POWELL.

Enclosures: As stated.



EMBASSY OF THE  
UNITED STATES OF AMERICA

Bratislava, December 18, 2003

Excellency:

I have the honor to refer to the Treaty Between the United States of America and the Czech and Slovak Federal Republic Concerning the Reciprocal Encouragement and Protection of Investment, with Protocol and Three Related Exchanges of Letters, signed at Washington on October 22, 1991 (hereinafter "the Treaty"), and to recent discussions between representatives of our Governments concerning the Slovak Republic's accession to the European Union.

I have the further honor to confirm the understanding of the Government of the United States of America that Article X, paragraph 1, of the Treaty reserves the right of each Party to take measures that it considers necessary for the protection of its own essential security interests.

His Excellency  
Eduard Kukan,  
Minister of Foreign Affairs  
of the Slovak Republic,  
Bratislava.

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I have the further honor to confirm the understanding of the Government of the United States of America that, in the case of Slovak Republic, these interests may include interests deriving from its membership in the European Union.

I would be grateful if Your Excellency would confirm, by an affirmative Note in response, that these understandings are shared by your Government.

Accept, Excellency, the renewed assurances of my highest consideration.



[TRANSLATION]

*Eduard Kukan  
Minister of Foreign Affairs  
of the  
Slovak Republic*

Bratislava, December 19, 2003

Excellency:

I have the honor to refer to the Treaty between the Czech and Slovak Federal Republic and the United States of America Concerning the Reciprocal Encouragement and Protection of Investment, with Protocol and three related exchanges of letters, signed at Washington on October 22, 1991 (hereinafter, the "Treaty"), and to recent discussions between representatives of our Governments concerning the Slovak Republic's accession to the European Union.

I have the further honor to confirm the understanding of the Government of the Slovak Republic that Article X, paragraph 1, of the Treaty reserves the right of each Party to take measures that it considers necessary for the protection of its own essential security interests.

I have the further honor to take note of the understanding of the Government of the United States of America that, in the case of the Slovak Republic, these interests may include interests deriving from its membership in the European Union.

With this note in reply to your note of December 18, 2003, I confirm that the Government of the Slovak Republic shares the aforesaid understandings.

Accept, Excellency, the expression of my highest esteem.

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[seal]

*His Excellency,  
Ronald Weiser,  
Ambassador Extraordinary and Plenipotentiary  
of the United States of America to the Slovak Republic,  
Bratislava.*

EMBASSY OF THE  
UNITED STATES OF AMERICA

Bratislava, December 18, 2003

Excellency:

I have the honor to refer to the Treaty Between the United States of America and the Czech and Slovak Federal Republic Concerning the Reciprocal Encouragement and Protection of Investment, with Protocol and Three Related Exchanges of Letters, signed at Washington on October 22, 1991 (hereinafter "the Treaty"), and to recent discussions between representatives of our Governments concerning the Slovak Republic's accession to the European Union.

I have the honor to confirm the understanding of the Government of the United States of America that the prohibition on performance requirements set forth in Article II, paragraph 5, of the Treaty does not extend to conditions for the

His Excellency  
Eduard Kukan,  
Minister of Foreign Affairs  
of the Slovak Republic,  
Bratislava.

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receipt or continued receipt of an advantage, such as any advantage resulting from the establishment of a market organization for agricultural products and its market stabilizing effects.

I would be grateful if Your Excellency would confirm, by an affirmative Note in response, that this understanding is shared by your Government.

Accept, Excellency, the renewed assurances of my highest consideration.



[TRANSLATION]

*Eduard Kukan  
Minister of Foreign Affairs  
of the  
Slovak Republic*

Bratislava, December 19, 2003

Excellency:

I have the honor to refer to the Treaty between the Czech and Slovak Federal Republic and the United States of America Concerning the Reciprocal Encouragement and Protection of Investment, with Protocol and three related exchanges of letters, signed at Washington on October 22, 1991 (hereinafter, the "Treaty"), and to recent discussions between representatives of our Governments concerning the Slovak Republic's accession to the European Union.

I have the honor to confirm the understanding of the Government of the Slovak Republic that the prohibition on performance requirements set forth in Article II, paragraph 5, of the Treaty does not extend to conditions for the receipt or continued receipt of an advantage, such as any advantage resulting from the establishment of a market organization for agricultural products and from its market stabilizing effects.

With this note in reply to your note of December 18, 2003, I confirm that the Government of the Slovak Republic shares the aforesaid understanding.

Accept, Excellency, the expression of my highest esteem.

p.p. [signature]

[seal]

*His Excellency,  
Ronald Weiser,  
Ambassador Extraordinary and Plenipotentiary  
of the United States of America to the Slovak Republic,  
Bratislava.*

ADDITIONAL PROTOCOL  
BETWEEN THE UNITED STATES OF AMERICA  
AND THE SLOVAK REPUBLIC  
TO THE TREATY BETWEEN  
THE UNITED STATES OF AMERICA AND  
THE CZECH AND SLOVAK FEDERAL REPUBLIC  
CONCERNING THE RECIPROCAL ENCOURAGEMENT AND  
PROTECTION OF INVESTMENT OF OCTOBER 22, 1991

Representatives of the Governments of the United States of America and the Slovak Republic;

Desiring to make more effective the Treaty Between the United States of America and the Czech and Slovak Federal Republic Concerning the Reciprocal Encouragement and Protection of Investment, with Protocol and Three Related Exchanges of Letters, signed at Washington on October 22, 1991 (hereinafter "the Treaty");

Have discussed the intentions of the United States of America and the Slovak Republic regarding the compatibility between the Slovak Republic's obligations under the Treaty and its obligations that arise from membership in the European Union;

Have acknowledged that the Slovak Republic, pursuant to Article 307 of the Treaty Establishing the European Community and Article 6.10 of the Slovak Republic's Act of Accession, as applicable, must take all appropriate steps to eliminate incompatibilities between the Treaty Establishing the European Community and its other international agreements, including the Treaty;

Have concluded, as a result, that certain amendments to the Treaty are necessary in order to avoid such incompatibilities;

Have decided to conclude an Additional Protocol thereto; and

Have agreed upon the following articles:

**Article I**

As necessary for the Slovak Republic to meet its obligations pursuant to measures adopted by the European Union, Article II, paragraph 5, of the Treaty shall not limit the ability of the Slovak Republic to impose performance requirements:

- (a) in the agricultural sector that relate to the production, processing and trade of agricultural and processed agricultural products, that implement quotas, or that require the purchase or use of goods produced or services provided in the European Union or, with respect to goods produced or services provided, a particular level or percentage of content from a source in the European Union; or

- (b) in the audio-visual sector that relate to the production, distribution and exploitation of audio-visual works, that implement quotas, or that require the purchase or use of goods produced or services provided in countries of the Council of Europe or, with respect to goods produced or services provided, a particular level or percentage of content from a source in countries of the Council of Europe.

#### **Article II**

The Parties acknowledge that the terms of the customs union or free trade area exception found at Article II, paragraph 9(a), of the Treaty shall apply to all obligations of a Party by virtue of its membership in an economic integration agreement that includes a free trade area or customs union (*e.g.*, the European Union), including obligations owed to nationals or companies of any third country.

#### **Article III**

Article XII of the Treaty shall be amended by deleting the text of the existing article in its entirety and substituting the following text in its place:

“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. The Parties also agree to consult promptly whenever a Party believes that steps are necessary to assure compatibility between the Treaty and the Treaty Establishing the European Community with a view to assuring compatibility.”

#### **Article IV**

A. The Annex to the Treaty shall be amended by adding, after paragraph 3, the following additional paragraphs:

- “4. Consistent with Article II, paragraph 1, and as necessary to meet its obligations pursuant to measures adopted by the European Union, the Slovak Republic reserves the right to make or maintain exceptions to national treatment in the sectors or matters it has indicated below:

- Agriculture
- Audio-visual
- Securities, Investment Services and other Financial Services
- Fisheries
- Hydrocarbons
- Subsidies
- Transport (Air Carriers)
- Transport (Inland Waterways)
- Transport (Maritime)

5. Consistent with Article II, paragraph 1, and as necessary to meet its obligations pursuant to measures adopted by the European Union, the Slovak Republic reserves the right to make or maintain exceptions to most-favored-nation treatment in the sectors or matters it has indicated below:

Agriculture  
Audio-visual  
Hydrocarbons

6. Any exception by the Slovak Republic exercised pursuant to paragraphs 4 or 5 above (*i.e.*, through any law or regulation adopted by, or any European Union measure directly applicable within, the Slovak Republic) shall not apply, for the time period set forth below in subparagraph (a), to investments of nationals or companies of the United States that are existing in the relevant sector on the date this amendment takes effect or on the date the European Commission publishes its proposal to enact the relevant measure in its Official Journal, whichever date is later.
- (a) The time period referred to in this paragraph shall be ten years from the date the relevant law or regulation adopted by, or European Union measure directly applicable within, the Slovak Republic takes effect, or twenty years from the date of entry into force of the Treaty, whichever date is later.
  - (b) In no case, however, may an exception exercised pursuant to paragraphs 4 or 5 above apply to an existing investment, as defined in this paragraph, to the extent that it would require divestment, in whole or in part, of such an existing investment."

B. Paragraph 4 of the Annex to the Treaty shall be renumbered as paragraph 7.

C. Paragraph 1 of the Annex to the Treaty shall be amended to reflect that, consistent with Article II, paragraph 1, the United States reserves the right to make or maintain limited exceptions to national treatment in the new sectors or matters it has indicated below:

Fisheries  
Subsidies

D. Paragraph 2 of the Annex to the Treaty shall be amended to reflect that, consistent with Article II, paragraph 1, the United States reserves the right to make or maintain limited exceptions to most favored nation treatment in the new sectors or matters it has indicated below:

Fisheries

## Article V

This Additional Protocol, which shall form an integral part of the Treaty, shall be subject to ratification.

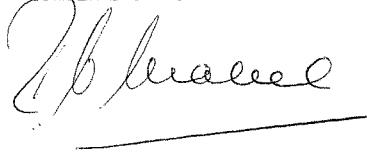
**Article VI**

This Additional Protocol shall enter into force upon the exchange of instruments of ratification, and shall remain in force so long as the Treaty shall remain in force.

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

DONE in duplicate at Brussels on the <sup>22<sup>nd</sup> day of September, 2003 in the English and Slovak languages, both texts being equally authentic.</sup>

FOR THE  
UNITED STATES OF AMERICA:

  
\_\_\_\_\_  
George W. Bush

FOR THE  
SLOVAK REPUBLIC:

  
Miroslav Mikloš