

## CHAPTER ONE

### OBJECTIVE AND GENERAL DEFINITIONS

#### *Article 1.1*

##### **Objective**

The objective of this Agreement is to enhance the investment climate between the Parties in accordance with the provisions of this Agreement.

#### *Article 1.2*

##### **Definitions**

For the purposes of this Agreement:

1. “covered investment” means an investment which is owned, directly or indirectly, or controlled, directly or indirectly, by a covered investor of one Party in the territory of the other Party<sup>1</sup>.

“investment” means every kind of asset which has the characteristics of an investment, including such characteristics as the commitment of capital or other resources, the expectation of gain or profit, the assumption of risk or a certain duration. Forms that an investment may take include:

- (a) tangible or intangible, movable or immovable property as well as any other property rights, such as leases, mortgages, liens, and pledges;
- (b) an enterprise including a branch, shares, stocks and other forms of equity participation in an enterprise, including rights derived therefrom;
- (c) bonds, debentures, and loans and other debt instruments, including rights derived therefrom;
- (d) other financial assets, including derivatives, futures and options;
- (e) turnkey, construction, management, production, concession, revenue-sharing, and other similar contracts;
- (f) claims to money or to other assets, or to any contractual performance having an economic value;
- (g) intellectual property rights<sup>2</sup> and goodwill; and

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<sup>1</sup> For greater certainty, investments made “in the territory of the other Party” shall include investments made in an exclusive economic zone or continental shelf, as provided in the *United Nations Convention on the Law of the Sea* of 10 December 1982.

<sup>2</sup> “intellectual property rights” means:

- (a) all categories of intellectual property that are the subject of Sections 1 through 7 of Part II of the *Agreement on Trade-Related Aspects of Intellectual Property Rights* contained in Annex 1C of the WTO Agreement (hereinafter referred to as the “TRIPS Agreement”) namely:
  - (i) copyright and related rights;

- (h) licenses, authorisations, permits, and similar rights conferred pursuant to domestic law, including any concessions to search for, cultivate, extract or exploit natural resources.<sup>3</sup>

Returns that are invested shall be treated as investments and any alteration of the form in which assets are invested or reinvested shall not affect their qualification as investments.

2. “covered investor” means a natural person<sup>4</sup> or a juridical person of one Party that has made an investment in the territory of the other Party.
3. “natural person of a Party” means a national of Singapore, or of one of the Member States of the Union, according to their respective legislation.
4. “juridical person” means any legal entity duly constituted or otherwise organised under applicable law, whether or not for profit and whether privately-owned or governmentally-owned, including any corporation, trust, partnership, joint venture, sole proprietorship or association.
5. “Union juridical person” or “Singapore juridical person” means a juridical person set up in accordance with the law of the Union or a Member State of the Union or Singapore, respectively, and having its registered office, central administration<sup>5</sup> or principal place of business in the territory of the Union or Singapore, respectively. Should the juridical person have only its registered office or central administration in the territory of the Union or of Singapore, respectively, it shall not be considered as a Union juridical person or a Singapore juridical person, respectively, unless it engages in substantive business operations<sup>6</sup> in the territory of the Union or of Singapore, respectively.
6. “measure” means any law, regulation, procedure, requirement or practice.
7. “treatment” or “measure”<sup>7</sup> adopted or maintained by a Party includes those taken by:
  - (a) central, regional or local governments and authorities; and

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- (ii) patents (which, in the case of the Union, include rights derived from supplementary protection certificates);
  - (iii) trademarks;
  - (iv) designs;
  - (v) layout-designs (topographies) of integrated circuits;
  - (vi) geographical indications;
  - (vii) protection of undisclosed information; and

(b) plant variety rights.

<sup>3</sup> For greater certainty, an order or judgment entered in a judicial or administrative action shall not constitute in itself an investment.

<sup>4</sup> The term “natural person” includes natural persons permanently residing in Latvia who are not citizens of Latvia or any other state but who are entitled, under the laws and regulations of Latvia, to receive a non-citizen’s passport (Alien’s Passport).

<sup>5</sup> The term “central administration” means the head office where ultimate decision making takes place.

<sup>6</sup> The EU Party understands that the concept of “effective and continuous link” with the economy of a Member State of the Union enshrined in Article 54 of the *Treaty on the Functioning of the European Union* is equivalent to the concept of “substantive business operations”. Accordingly, for a juridical person set up in accordance with the law of Singapore and having only its registered office or central administration in the territory of Singapore, the EU Party shall only extend the benefits of this Agreement if that juridical person possesses an effective and continuous economic link with the economy of Singapore.

<sup>7</sup> For greater certainty, the Parties understand that the terms “treatment” or “measure” include failures to act.

- (b) non-governmental bodies in the exercise of powers delegated by central, regional or local governments or authorities.
8. “returns” means all amounts yielded by or derived from an investment or reinvestment, including profits, dividends, capital gains, royalties, interests, payments in connection with intellectual property rights, payments in kind and all other lawful income.
  9. “freely convertible currency” means a currency which is widely traded in international foreign exchange markets and widely used in international transactions.
  10. “establishment” means:
    - (a) the constitution, acquisition or maintenance of a juridical person; or
    - (b) the creation or maintenance of a branch or representative office,with a view to establishing or maintaining lasting economic links within the territory of a Party for the purpose of performing an economic activity.
  11. “economic activity” includes any activities of an economic nature except activities carried out in the exercise of governmental authority, i.e., activities not carried out on a commercial basis or in competition with one or more economic operators.
  12. “EU Party” means the Union or its Member States, or the Union and its Member States, within their respective areas of competence as derived from the *Treaty on the European Union* and the *Treaty on the Functioning of the European Union*.