

# **AGREEMENT BETWEEN THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF IRAN AND THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF AFGHANISTAN ON THE PROMOTION AND RECIPROCAL PROTECTION OF INVESTMENTS**

## **PREAMBLE**

The Government of the Islamic Republic of Iran and the Government of the Islamic Republic of Afghanistan, hereinafter referred to as the "Contracting Parties",

Desiring to establish and intensify economic cooperation to the mutual benefit of both States,

Intending to utilize their economic resources and potential facilities as well as to create and maintain favorable conditions for investments of investors of one Contracting Party in the territory of the other Contracting Party, and

Intending to create and maintain desired conditions for investments of investors of one Contracting Party in the territory of the other Contracting Party, and

Recognizing the need for the protection of investments of investors of both Contracting Parties, and for the stimulation of investment flows and individual initiatives in business for the purpose of fostering the prosperity of both Contracting Parties.

Have agreed as follows:

## **Article 1. Definitions**

For the purpose of this Agreement the meaning of the terms used therein are as follows:

1. The term "investment" refers to every kind of property or asset invested by investors of one Contracting Party in the territory of the other Contracting Party in accordance with the national laws and regulations of the latter (hereafter referred to as the host Contracting Party):

a. Movable and immovable property as well as rights related thereto;

b. Shares or any kind of participation in companies;

c. Money and / or any collectable claims to money;

d. Industrial and intellectual property rights, such as, patents, utility and production models, industrial designs or models, trade marks and names, know-how and goodwill;

e. Rights to search for, extract or exploit natural resources in accordance with laws and regulations of the Contracting Parties.

2. The term "investor/investors" refers to the following persons who invest in the territory of the other Contracting Party, within the framework of this Agreement:

a. Natural persons possessing the nationality of one of the Contracting Parties in accordance with its laws, and who do not possess the nationality of the host Contracting Party.

b. Legal persons of either Contracting Party which are established under the national laws of that Contracting Party, and their headquarters or their real economic activities are located in the territory of that Contracting Party.

3. The term "returns" means the net amounts yielded by an investment, including profits, dividends, fees and similar

returns.

4. The term "territory" refers to the areas under the sovereignty or jurisdiction of either Contracting Party, as the case may be, and includes their maritime areas.

## **Article 2. Promotion of Investments**

1. Each Contracting Party shall encourage its natural and legal persons to invest in the territory of the other Contracting Party.

2. Each Contracting Party shall create favorable conditions for natural and legal persons of the other Contracting Party to attract investment by natural and legal persons of the other Contracting Party in its territory, in accordance with its laws and regulations.

## **Article 3. Admission of Investments**

1. Each Contracting Party shall admit investments of natural and legal persons of the other Contracting Party in its territory, in accordance with its national laws and regulations.

2. When an investment is admitted, either Contracting Party shall, in accordance with its national laws and regulations, grant the necessary permits for the realization of such an investment.

## **Article 4. Protection of Investments**

1. Investment of natural and legal persons of either Contracting Party effected within the territory of the other Contracting Party shall receive the host Contracting Party's full legal protection and fair treatment not less favorable than that accorded to its own investors or to investors of any third State who are in like circumstances.

2. If a Contracting Party has accorded or shall accord in future special advantages or rights to investors of any third State by virtue of an existing or future agreement establishing a free trade area, a customs union, a common market or a similar regional organization and/or by virtue of an arrangement on the avoidance of double taxation, it shall not be obliged to accord such advantages and rights to investors of the other Contracting Party.

## **Article 5. More Favorable Provisions**

Notwithstanding the terms set forth in this Agreement, more favorable provisions which have been agreed or may be agreed upon by either Contracting Parties with an investor of the other Contracting Party are applicable.

## **Article 6. Expropriation and Compensation**

1. Investments of natural and legal persons of either Contracting Party shall not be nationalized, confiscated, expropriated or subjected to similar measures by the other Contracting Party, except such measures are taken for public purposes, in accordance with due process of law, in a non-discriminatory manner, and upon payment of prompt and effective compensation.

2. The amount of compensation shall be equivalent to the value of investment immediately before the action of nationalization, confiscation or expropriation was taken.

## **Article 7. Losses**

Investors of either Contracting Party whose investments suffer losses due to any armed conflict, war or similar state of emergency in the territory of the other Contracting Party shall be accorded by the other Contracting Party treatment no less favorable than that accorded to its own investors or to investors of any third State.

## **Article 8. Repatriation and Transfer of Capital**

1. Each Contracting Party shall, in accordance with its laws and regulations, permit in good faith the following transfers related to investments referred to in this Agreement, to be made freely and without delay out of its territory:

a. Returns;

- b. Proceeds from the sale and/or liquidation of all or part of an investment;
- c. Royalties and fees related to transfer of technology agreement;
- d. Sums paid pursuant to Article 6 and/or 7 of this Agreement;
- e. Loan installments which are related to an investment and paid out of such investment activities;
- f. Monthly salaries and wages received by employees of an investor of one Contracting Party who have obtained in the territory of the host Contracting Party, the corresponding work permits related to that investment;
- g. Payments arising from a decision of the authority referred to in Article 12.

2. The above transfers shall be effected in a convertible currency and at the current rate of exchange in accordance with exchange regulations prevailing on the date of transfer.

## **Article 9. Subrogation**

If a Contracting Party or its designated agency, within the framework of a legal system, subrogates an investor pursuant to a payment made under an insurance or guarantee agreement against non-commercial risks:

- a. Such subrogation shall be recognized by the other Contracting Party;
- b. The subrogate shall not be entitled to exercise any rights other than the rights which the investor would have been entitled to exercise;
- c. Disputes between the subrogee and the host Contracting Party shall be settled in accordance with Article 12 of this Agreement.

## **Article 10. Observance of Commitments**

Either Contracting Party shall guarantee the observance of the commitments it has entered into with respect to investments of natural and legal persons of the other Contracting Party.

## **Article 11. Scope of the Agreement**

This Agreement shall apply to investments approved by the competent authorities of the host Contracting Party. The competent authority in the Islamic Republic of Iran is the Organization for Investment, Economic and Technical Assistance, and in the Islamic Republic of Afghanistan is the Afghanistan Investment Report Agency (AISA) or any other authority which may succeed them.

## **Article 12. Settlement of Disputes between a Contracting Party and an Investor of the other Contracting Party**

1. If any dispute arises between the host Contracting Party and an investor or investors of the other Contracting Party with respect to an investment, the host Contracting Party and the investor(s) shall primarily endeavor to settle the dispute in an amicable manner through negotiation and consultation.
2. In the event that the dispute between the host Contracting Party and the investor(s) cannot be settled within six months from the date of the written application for settlement, each of them may submit the dispute for settlement to the competent courts of the host Contracting Party; or with due regard to its national laws and regulations to an Arbitral Tribunal referred to in paragraph 5 below.
3. Any dispute primarily referred to the competent court of the host Contracting Party, as long as it is pending, cannot be referred to arbitration except with parties' agreement; and in the event that a final judgment is rendered, it cannot be referred to arbitration.
4. National courts shall not have jurisdiction over any dispute referred to arbitration. However, the provisions of this paragraph do not bar the winning party to seek for the enforcement of the arbitral award before national courts.
5. The arbitration shall be conducted according to Rules of the United Nations Commission on International Trade Law (UNCITRAL).

## **Article 13. Settlement of Disputes between the Contracting Parties**

1. All disputes arising between the Contracting Parties relating to the interpretation and application of this Agreement shall, in the first place, be settled amicably through consultations and negotiations. In case of disagreement, either Contracting Party may subject to its laws and regulations, while sending a notice to the other Contracting Party, refer the case to an Arbitral Tribunal of three members consisting of two arbitrators appointed by the Contracting Parties and a Chairman. In case the dispute is referred to the Arbitral Tribunal, either Contracting Party shall appoint an arbitrator within sixty days from the receipt of the notification and the arbitrators appointed by the Contracting Parties shall appoint the Chairman within sixty days from the date of the last appointment. If either Contracting Party does not appoint its own arbitrator or the appointed arbitrators do not agree on the appointment of the Chairman within the said periods, each Contracting Party may request the President of the International Court of Justice to appoint the arbitrator of the failing party or the Chairman, as the case may be. In any event, the Chairman shall be a national of a State having diplomatic relations with both Contracting Parties at the time of the appointment.
2. In case the Chairman is to be appointed by the President of the International Court of Justice, if the President of the International Court of Justice is prevent from carrying out the said function or if he is a national of either Contracting Party, the appointment shall be made by the Vice-President of the International Court of Justice, and if the Vice-President is also prevented from carrying out the said function or he is a national of either Contracting Party, the appointment shall be made by the senior member of the said court who is not a national of either Contracting Party.
3. Subject to other provisions agreed by the Contracting Parties, the Arbitral Tribunal shall determine its procedure and place of arbitration.
4. The decisions of the Arbitral Tribunal shall be binding on the Contracting Parties.

## **Article 14. Validity of the Agreement**

1. This Agreement shall be ratified by the competent authorities of each Contracting Party.
2. This Agreement shall enter into force for a period of ten years after thirty days from the date of receipt of the last of the two notifications by which the Contracting Parties shall communicate officially to each other that their respective ratification procedures have been completed. This Agreement shall remain in force thereafter unless one of the Contracting Parties notifies the other Contracting Party in writing of its intention to terminate it.
3. After the expiration of the validity or termination of this Agreement its provisions shall apply to investments under this Agreement for a further period of ten years.

Done in duplicate at Tehran on May 28, 2006 corresponding to 7th Khordad 1385 in Persian, Dari Persian and English languages. In case of divergence of interpretation, the English text shall prevail.

(Signature)

For the Government of the Islamic Republic of Iran

(Signature)

For the Government of the Islamic Republic of Afghanistan