

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

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

Desiring to intensify economic cooperation to the mutual benefit of both States;

Intending to utilize their economic resources and potential facilities in the area of investments as well as to create and maintain fair and equitable conditions for investments of the investors of the Contracting Parties in each other's territory and;

Recognizing the need to promote and protect investments of the investors of the Contracting Parties in each other's territory;

Have agreed as follows:

## **Article 1. Definitions**

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

1. The term "investment" shall mean every kind of asset by investors of one Contracting Party in the territory of the other Contracting Party in accordance with the laws and regulations of the other Contracting Party and in particular:

a) Movable and immovable property as well as rights related thereto, such as leases, mortgages, liens, pledges and usufructs;

b) Shares, stocks or other kinds of participation in a company or enterprise;

c) Title to money and/or any performance having an economic value;

d) Industrial and intellectual property rights, such as patent, copy right, utility models, industrial designs or models, trade marks and names as well as technical processes, know-how and goodwill;

e) Rights conferred by law or administrative decisions, including rights to search for, extract or exploit natural resources, as well as other business rights.

2. A change in the form in which assets are invested does not affect their character as investments, as long as any change is in accordance with the terms and conditions of the investment license for that specific investment, if such a license is required by the relevant laws and regulations of the host Contracting Party at the time of admission of the investment.

3. The term "investor" shall mean:

a) Any natural person who is a national of that Contracting Party in accordance with its law;

b) Any legal person or other organization established in accordance with the laws applicable in that Contracting Party and having their headquarters or having economic activities in the territory of that Contracting Party;

4. The term "returns" shall mean the amounts yielded by an investment such as profits, interest, capital gains, dividends, royalties and fees.

5. The term "territory" shall mean the territory under the sovereignty of either Contracting Party including the territorial sea and includes maritime areas over which either Contracting Party exercises sovereign rights or jurisdiction in accordance with international law.

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

1. Each Contracting Party shall encourage its investors to invest in the territory of the other Contracting Party.
2. Each Contracting Party shall, within the framework of its laws and regulations, create favourable conditions for attraction of investments of investors of the other Contracting Party in its territory.
3. Each Contracting Party shall endeavour to make publicly available its laws, regulations and administrative procedures pertaining to investments covered by this Agreement.

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

1. Either Contracting Party shall admit investments of investors of the other Contracting Party in its territory in accordance with its laws and regulation. Such admission may be given upon certain conditions.
2. When an investment is admitted, either Contracting Party shall, in accordance with its laws and regulations, grant all necessary permits for the realization of such an investment.
3. Subject to their internal legislation, the Contracting Parties shall at all times favourably examine requests for entry, residence and work of the investors of one Contracting Party and their top managerial and technical personnel and their immediate family in relation to an investment made in the territory of the other Contracting Party.

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

Each Contracting Party shall at all times ensure fair and equitable treatment and the full protection of the investments by investors of the other Contracting Party and shall not impair the management, maintenance, use, enjoyment or disposal thereof through unreasonable or discriminatory measures.

## **Article 5. Treatment of Investments**

1. Each Contracting Party shall apply to investments made in its territory by investors of the other Contracting Party and returns related thereto a treatment which is no less favourable than that accorded to investments, and returns related thereto, made by its own investors or by investors of third states, whichever is more favourable.
2. Notwithstanding the provisions of paragraph 1 of this Article, a Contracting Party which has concluded or may conclude an agreement regarding the formation of a customs union, a common market, a free-trade area or a similar regional economic organization shall be free to grant, by virtue of such agreements, more favourable treatment to investments by investors of the state or states which are parties to the aforesaid agreements.
3. The provisions of paragraph 1 of this Article shall not be construed so as to oblige one Contracting Party to extend to investors of the other Contracting Party the benefit of any treatment, preference or privilege resulting from any international agreement or arrangement relating wholly or mainly to taxation or any domestic legislation relating wholly or mainly to taxation.

## **Article 6. Expropriation**

Investments by investors of either Contracting Party shall not be expropriated, nationalized or subjected to any other measure the effect of which would be tantamount to expropriation, hereinafter called "expropriation", in the territory of the other Contracting Party except for the public benefit, in accordance with due process of law, in a non-discriminatory manner and against the payment of compensation. Such compensation shall be equivalent to the real value of the investment expropriated at the time immediately before the actual or impending expropriation became publicly known, whichever is the earlier.

The compensation shall be paid without delay. However, in case of delay such compensation shall include the costs thereof. The compensation shall be paid in a freely convertible currency, be effectively realizable and freely transferable. Any dispute as to the conformity of such expropriation with the relevant legislation, or as to the amount of compensation shall be subject to review by due process of law, in accordance with the principles set out in this Article, in the competent courts or judicial authorities of the country where the investment has taken place.

## **Article 7. Damages or Losses**

1. Investors of one Contracting Party whose investments in the territory of the other Contracting Party suffer losses owing to war or other armed conflict, state of national emergency, revolution, insurrection, civil disturbance or any other similar event, shall be accorded by the latter Contracting Party, as regards restitution, indemnification, compensation or other similar arrangements, treatment no less favourable than that which the latter Contracting Party accords to its own investors or to investors of any third State whichever is the more favourable to the investors concerned.

1. Notwithstanding paragraph 1, an investor of one Contracting Party who, in any of the situations referred to in that paragraph, suffers losses in the territory of the other Contracting Party resulting from:

- a) Requisitioning of its investment or part thereof by the latter's forces or authorities; or
- b) Destruction of its investment or part thereof by the latter's forces or authorities, which was not required by the necessity of the situation, shall be accorded by the latter Contracting Party restitution or compensation which in either case shall be equivalent to the real value of the investment and paid without undue delay.

## **Article 8. Repatriation and Transfers**

1. Each Contracting Party shall ensure that the transfers related to investments referred to in this agreement shall be made freely and without delay into and out of its territory. Such transfers shall include in particular:

- a) The principal and additional amounts to maintain, develop or increase the investment;
- b) Returns;
- c) Proceeds from the sale or liquidation of all or part of an investment;
- d) The amounts required for payment of expenses which arise from the operation of the investment, such as loans repayments, payment of royalties and licence fees or other similar expenses;
- e) Compensations provided for under Articles 6 and 7;
- f) Earnings and other remuneration of personnel engaged from abroad, in connection with an investment, who have been authorized to work by the host Contracting Party; and
- g) Payments arising out of the settlement of disputes under Article 12;

2. Transfers under the present Agreement shall be made without delay in a freely convertible currency at the applicable rate of exchange prevailing on the date of transfer. In the absence of such a rate a representative rate applied to recent inward investments shall prevail.

## **Article 9. Subrogation**

If a Contracting Party or its Designated Agency makes a payment to its investor under an insurance or guarantee agreement with respect of an investment in the territory of the other Contracting Party against noncommercial risk, the latter Contracting Party shall recognize the subrogation of the former Contracting Party or its designated Agency to all rights and claims of the investor and that the former Contracting Party or its designated Agency is entitled to exercise such rights and enforce such claims to the same extent.

## **Article 10. More Favourable Provisions**

- 1. Notwithstanding the terms set forth in this Agreement, more favourable provisions which have been or may be agreed upon by either of the Contracting Parties with an investor of the other Contracting Party are applicable.
- 2. If the legislation of either Contracting Party or obligations under international agreements existing at present or established hereafter between the Contracting Parties in addition to this Agreement contain a regulation, whether general or specific, entitling investments by investors of the other Contracting Party to treatment more favourable than is provided for by this Agreement, such regulation shall to the extent that it is more favourable prevail over this Agreement.

## **Article 11. Scope of Application**

1. This Agreement shall apply to investments made by investors of either Contracting Party in the territory of the other Contracting Party, whether made before or after the entry into force of this Agreement, but shall not apply to any dispute

concerning an investment which arose or any claim, which was settled before its entry into force.

2. In the case of the Islamic Republic of Iran only investments approved by the competent authority of that Contracting Party are covered by this Agreement. The competent authority in the Islamic Republic of Iran is the Organization for Investment, Economic and Technical Assistance of Iran (O.I.E.T.A.I), or the agency which might succeed it.

## **Article 12. Disputes between an Investor and a Contracting Party**

1. Disputes that may arise between one Contracting Party and an investor of the other Contracting Party with regard to an investment within the framework of the present Agreement, shall be notified in writing by the investor to the former Contracting Party. As far as possible, the parties concerned shall endeavour to settle these disputes amicably.

2. If these disputes cannot be settled amicably within six months from the date of the written notification mentioned in paragraph (1), the dispute may be submitted, at the choice of the investor to:

a) An ad hoc tribunal set up under Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL).

b) The International Centre for Settlement of Investment Disputes (ICSID) set up by the "Convention on Settlement of Investment Disputes between States and Nationals of other States" opened for signature at Washington on 18th March 1965 in case both parties become members of this Convention, or

c) The International Chamber of Commerce (ICC) under its rules of arbitration.

3. Each Contracting Party hereby consents to the submission of any dispute concerning an investment to any of the fora mentioned above.

4. During arbitration proceedings or the enforcement of an award, the Contracting Party involved in the dispute shall not raise the objection that the investor of the other Contracting Party has received compensation under an insurance contract in respect of all or part of the damages.

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

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

1. Disputes between the Contracting Parties concerning the interpretation and application of this Agreement shall, as far as possible, be settled through diplomatic channels.

2. If the dispute cannot thus be settled within six (6) months following the date on which such negotiations were requested by either Contracting Party, it shall at the request of either Contracting Party be submitted to an Arbitral Tribunal.

3. Such an Arbitral Tribunal shall be constituted for each individual case in the following way. Within two (2) months of the receipt of the request for arbitration, each Contracting Party shall appoint one member of the Tribunal. Those two members shall then select a national of a third State who on approval by the two Contracting Parties shall be appointed Chairman of the Tribunal. The Chairman shall be appointed within four (4) months from the date of appointment of the other two members. However, the Chairman shall be a national of a state having diplomatic relations with both Contracting parties at the time of the appointment.

4. If the necessary appointments have not been made within the periods specified in paragraph 3 of this Article, either Contracting Party may, in the absence of any other agreement, invite the President of the International Court of Justice to make any necessary appointments. If the President is a national of either Contracting Party or is otherwise prevented from discharging the said function, the Member of the International Court of Justice next in seniority who is not a national of either Contracting Party or is not otherwise prevented from discharging the said function, shall be invited to make the necessary appointments.

5. The Arbitral Tribunal shall reach its decision by a majority of votes. The decisions of the Tribunal shall be final and binding on both Contracting Parties. Each Contracting Party shall bear the costs of the member appointed by that Contracting Party and of its representation at the arbitral proceedings. Both Contracting Parties shall assume an equal share of the costs of the Chairman, as well as any other costs. The Tribunal may make a different decision regarding the sharing of the costs. In all other respects, the Arbitral Tribunal shall determine its own rules of procedure.

## Article 14. Entry Into Force, Duration and Termination

1. The Contracting Parties shall notify each other when the constitutional requirements for entry into force of this Agreement have been fulfilled. The Agreement shall enter into force on the first day of the month following the date of receipt of the last notification.
2. This Agreement shall remain in force for a period of fifteen (15) years. Thereafter it shall remain in force until the expiration of twelve months from the date that either Contracting Party in writing notifies the other Contracting Party of its decision to terminate this Agreement.
3. In respect of investments made prior to the date when the notice of termination of this Agreement becomes effective, the provisions of Articles 1 to 13 shall remain in force for a further period of fifteen (15) years from that date.

IN WITNESS WHEREOF, the undersigned representatives, duly authorised thereto, have signed the present Agreement.

Done in duplicate at Stockholm on 5 December 2005 corresponding to 14 Azar 1384 in the Solar Hijri Year, in the Swedish, Persian, and English languages, all texts being equally authentic. In case of divergence in interpretation, the English text shall prevail.

For the Government of the Kingdom of Sweden

Lars-Olof Lindgren

For the Government of the Islamic Republic of Iran

Saeed Jalil

On signing the Agreement on the Reciprocal Promotion and Protection of Investments between the Government of the Kingdom of Sweden and the Government of the Islamic Republic of Iran, the undersigned plenipotentiaries have, in addition, agreed on the following provisions, which shall be regarded as an integral part of the said Agreement.

Ad Article 1 The Contracting Parties agree that the term "investor" also includes any legal person not established under the law of that Contracting Party, but in which a person as defined in Article 1.3 a) or b) has majority ownership or majority voting rights.

With respect to the Islamic Republic of Iran, an investor as defined in this protocol has to apply to the Organization for Investment, Economic and Technical Assistance of Iran (O.I.E.T.A.I), or the agency which might succeed it, at the time of the admission, in order to be covered by this Agreement. The approval of coverage of this Agreement shall be given no later than the approval of the investment itself.

If the investor as defined in this protocol enjoys the coverage of any other bilateral Investment Protection Agreement made between the Islamic Republic of Iran and another country, this Agreement shall not apply to that investor and its investment.

An investor as defined in this protocol shall include in its application proof of its majority ownership or majority voting rights.

IN WITNESS WHEREOF, the undersigned representatives, duly authorised thereto, have signed the present Agreement.

Done in duplicate at Stockholm on 5 December 2005 corresponding to 14 Azar 1384 in the Solar Hijri Year, in the Swedish, Persian, and English languages, all texts being equally authentic. In case of divergence in interpretation, the English text shall prevail.

For the Government of the Kingdom of Sweden

Lars-Olof Lindgren

For the Government of the Islamic Republic of Iran

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