

AGREEMENT BETWEEN THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF IRAN AND THE GOVERNMENT OF THE REPUBLIC OF BULGARIA ON THE PROMOTION AND RECIPROCAL PROTECTION OF INVESTMENTS

PREAMBLE

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

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

Intending to use the economic resources and potential facilities in investment and create and maintain favorable conditions for investments of nationals of one Contracting Party in the territory of the other Contracting Party, and

Recognizing the need for the protection of investments of nationals of one Contracting Party in the territory of the other Contracting Party,

Have agreed as follows:

Article 1. Definitions

For the purpose of this Agreement:

1. The term "investment" refers to every kind of 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, and in particular but not exclusively:

- a) Movable and immovable property as well as rights related thereto.
- b) Shares or any kind of participation in companies;
- c) Claim to money or to any performance having an economic value;
- d) Intellectual and industrial property rights, such as, patents, utility models, industrial designs or models, trademarks and trade names, know-how and goodwill.
- e) Special rights conferred by the law, an agreement or a decision of a competent authority to search for, extract or exploit natural resources.

Any alteration of the form in which assets are invested shall not affect their classification as investment as long as the alteration is approved by the competent authority of the host Contracting Party.

2. The term "investor" of a Contracting Party refers to the following:

- a) Natural persons possessing the nationality of one of the Contracting Parties in accordance with its laws;
- b) Legal persons of either Contracting Party which are established under the national laws of that Contracting Party, and their headquarters and their real economic activities are located in the territory of that Contracting Party.

3. The term "returns" means the amounts yielded by an investment and in particular though not exclusively, includes profits, loans, capital gains, dividends, royalties and fees.

4. The term "territory" of a Contracting Party:

- a) In case of Islamic Republic of Iran refers to the areas under the sovereignty or jurisdiction of the Islamic Republic of Iran,

as the case may be, and includes its maritime areas.

b) In case of Republic of Bulgaria means the territory of Bulgaria, including its territorial sea and the contiguous zone, continental shelf and exclusive economic zone over which Bulgaria exercises jurisdiction, respectively sovereign rights, in accordance with its legislation and international law.

Article 2. Promotion of Investments

1. Each Contracting Party shall encourage and create favorable conditions for its investors to invest in the territory of the other Contracting Party.
2. Each Contracting Party shall promote and create favorable conditions for investors of the other Contracting Party to invest in its territory.
3. In case of reinvestment, the returns of these reinvestments benefit the same protections as the first investments.

Article 3. Admission of Investments

1. Either Contracting Party shall promote and admit investments of investors of the other Contracting Party in its territory in accordance with its national laws and regulations.
2. Either Contracting Party shall, after an investment is admitted, in accordance with its laws and regulations, grant the necessary permits for the realization of such investments.

Article 4. Treatment of Investments

1. Investments of investors 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 favourable than accorded to its own investors or to investors of any third State.
2. Neither Contracting Party shall impair by unreasonable or discriminatory measures the management, maintenance, use, enjoyment, extension, sale or liquidation of the investments of the investors of the other Contracting Party.
3. If a Contracting Party has accorded or shall accord in future special advantages 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 agreement on the avoidance of double taxation, it shall not be obliged to accord such advantages or rights to investors of the other Contracting Party.
4. If the national legislation of a Contracting Party or existing or future international agreements that are applicable between the Islamic Republic of Iran and the Republic of Bulgaria or any other international agreements they have concluded, entitles the investments of the investors of the Contracting Party to treatment more favourable than is provided for in this Agreement, such legislation shall, to the extent that is more favourable, prevail over this Agreement.

Article 5. Expropriation and Compensation

1. Investments of investors of either Contracting Party shall not be confiscated, nationalized or expropriated, or subjected to similar measures by the other Contracting Party, except such measures are taken for a public purpose, in a non-discriminatory manner, and upon payment of prompt, effective and adequate compensation and in accordance with due process of law.
2. The amount of compensation shall be equivalent to the value of investment immediately before the act of nationalization, confiscation or expropriation was taken or became public knowledge (whichever is sooner) and shall be paid without delay. In case of delay such compensation shall include the costs related to the delayed payment in accordance with international banking practice.

Article 6. Losses

Investors of either Contracting Party whose investments suffer losses due to war, any armed conflict, revolution 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, with regard to restitution and compensation.

Article 7. Repatriation and Transfer

1. Each Contracting Party shall ensure the transfers related to investments of the investors of the Contracting Party, after their compliance with all tax obligations, to be made freely. Such transfers shall in particular include:

- a) Returns from an investment;
- b) Proceeds from the sale and/or liquidation of all or part of an investment;
- c) Loan installments which are related to an investment and paid out of such investment activities;
- d) Compensation pursuant to Article 5 and 6 of this Agreement;
- e) Monthly salaries, wages and other remuneration received by nationals of one Contracting Party in the territory of the other Contracting Party;
- f) Payments arising out of an investment dispute.

2. The transfers shall promptly be effected in a convertible currency, without delay and at the applicable rate of exchange on the date of transfer in the territory of the Contracting Party where the investment is made.

Article 8. Subrogation

If a Contracting Party or its designated agency makes payments to its investor by an insurance agreement, any subrogation of the Contracting Party or its agency relating to rights and claims of the investor as well as the designation of the first Contracting Party or agency that entitle him to exercise such rights and claims shall be recognized by the other Contracting Party. Disputes between the subrogee and the host Contracting Party shall be settled in accordance with Article 11 of this Agreement.

Article 9. Observance of Commitments

Either Contracting Party shall guarantee the observance of the commitments it has entered into with respect to investments of investors of the other Contracting Party.

Article 10. 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 with respect to an investment, the Contracting Party and the investor(s) shall primarily endeavor to settle the dispute through negotiation and consultation.

2. In the event that such dispute cannot be settled amicably within six months, the investor in question may submit the dispute for settlement to:

- The competent court of the Contracting Party; or
- If the dispute relates to the Articles 5, 6 and 7 of this Agreement, the investor may, in accordance with the laws and regulations of the Contracting Party, refer the dispute to an ad hoc arbitration for settlement:
- an ad hoc Arbitration Tribunal that is established in accordance with Rules of Arbitration of the United Nations Commission on International Trade Law (UNCITRAL); or
- the International Centre for Settlement of Investment Disputes (ICSID), for the implementation of the arbitration procedure under the Washington Convention of 18 March, 1965, On the Settlement of Investment Disputes between States and Nationals of the other States, if both Contracting Parties have acceded to it.

3. The decision shall be final and binding on the parties of the dispute, and shall be enforced in accordance with national laws of the Contracting Party in question.

Article 11. 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.

2. In case of disagreement, either Contracting Party may, within six months from the date the dispute had arisen, subject to its laws and regulations, refer the case to an Arbitral Tribunal.

3. This Arbitral Tribunal shall be established for any reason as follows: while sending a notice to the other Contracting Party within three months, the Contracting Parties shall appoint two arbitrators. The arbitrators appointed by the Contracting Parties shall appoint a Chairman who is a national of a third State having diplomatic relations with both Contracting Parties at the time of the appointment within two months from the date the last arbitrator was appointed.

4. If the necessary appointments of arbitrators have not been made in the period specified in paragraph 3 of this Article, either party, may invite the President of the International Court of Justice to make the necessary appointments. In the event that the President of the International Court is a citizen or national of the State of one of the Contracting Parties, or if for any reason, it is impossible for him to make the appointment, the application shall be made to the Vice President of the Court. If the Vice President of the Court is a citizen or national of the State of one of the Contracting Parties, or is unable to make the appointment for any reason, most senior member of the International Court of Justice, who is not a citizen or national of the State of one of the Contracting Parties, shall be invited to make the appointment.

5. The Arbitral Tribunal shall decide in accordance with the provisions of this Agreement as well as the general principles of international law. The Arbitration Tribunal shall rule with a majority vote and its decision shall be final and binding on the Contracting Parties.

Article 12. Applicability of the Agreement

The provisions of this Agreement apply to investments of a Contracting Party made and admitted in accordance with relevant laws of host Contracting Party in the territory of the latter before or after the entry into force of this Agreement.

Article 13. 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. The termination shall come into effect after six months from the date of reception of the notification.

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.

In witness whereof, the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

Done in duplicate at Sofia on November 23, 1998 corresponding to 22th Aban 1377 in Persian, Bulgarian and English languages. In case of divergence of interpretation, the English text shall prevail.

Signature of the Government of the Islamic Republic of Iran

Signature of the Government of the Republic of Bulgaria

PROTOCOL

Concurrent with the signing of the Agreement on encouragement and reciprocal protection of investments between the Republic of Bulgaria and the Islamic Republic of Iran, the signatories below who are under full authority of their respective Governments have also agreed on the following provisions which constitute an integral part of this Agreement:

Ad Article 4

Each Contracting Party reserves the rights in accordance with its current laws to exempt from national treatment granted in paragraphs 1 and 2 of Article 4. However, any new exception shall apply to only investments that have been made after the

entry into force of this exception. These exceptions must be imposed by law and are non-discriminatory.

Ad Article 10 and 11

None of the provisions of Article 10 and 11 prevent the parties to the dispute to refer the dispute to international arbitration.

Ad Article 12

In case of the Islamic Republic of Iran, this Agreement only applies to investments and alterations in the form of investments that have been approved by the competent authority of the Islamic Republic of Iran. The competent authority in the Islamic Republic of Iran is the Organization for Investment, Economic and Technical Assistance.

In witness whereof the signatories under the full authority of their respective Governments have signed the Protocol:

This Protocol is done in duplicate at Sofia on 13 November 1998 corresponding to 22 Aban 1377 in Persian, Bulgarian and English languages and all texts are equally authentic. In case of divergence of interpretation, the English text shall prevail.

Signature of the Government of the Islamic Republic of Iran

Signature of the Government of the Republic of Bulgaria