

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

Preamble

The Government of the Italian Republic 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 favourable conditions for investments of the investors of the Contracting Parties in each others' territory and;

Recognizing the need to promote and protect investments made by the investors of the Contracting Parties in each others' territory;

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 asset invested by the 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, including the following:

- (a) Movable and immovable property as well as rights related thereto, such as leases, mortgages, liens, pledges and usufructs;
- (b) Shares or any kind of participation in companies, such as securities, debentures, equity holdings and credits;
- (c) Money and / or receivables and any other performance having an economic value connected with an investment as well as reinvested returns and any increases in the value of the original investment;
- (d) All industrial and intellectual property rights;
- (e) Rights to search for, extract and/or exploit natural resources;
- (f) Economic rights as well as any licence and franchise conferred by law.

2. The term "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 who, according to the laws of either Contracting Party, are considered to be its national.
- (b) Legal persons of either Contracting Party which are established under the 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" refers to the amounts legally yielded by an investment including profit derived from investments, capital gains, interest, dividends, royalties and fees.

4. The term "territory":

- (a) In case of the Italian Republic shall be construed to mean, in addition to the zones contained within the land boundaries,

the "maritime zones". The latter also comprise the marine and submarine zones over which it exercises sovereignty, and sovereign or jurisdictional rights, under international law.

(b) In case of the Islamic Republic of Iran means areas under the sovereignty or jurisdiction of the Islamic Republic of Iran, and includes its maritime areas.

Article 2. Promotion, Admission and Protection of Investments

1. Either Contracting Party shall encourage its investors to invest in the territory of the other Contracting Party.
2. Either 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. Either Contracting Party shall admit investments of investors of the other Contracting Party in its territory and grant all necessary permits for the realization of such an investment, in accordance with its laws and regulations.
4. Both Contracting Parties shall at all times ensure just and fair treatment to the investments of investors of the other Contracting Party. Both Contracting Parties shall ensure that the management, maintenance, use, transformation, enjoyment or assignment of the investments effected in their territory by investors of the other Contracting Party, shall in no way be subject to unjustified or discriminatory measures.

Article 3. National Treatment and Most Favoured Nation Treatment

1. Investments 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 favourable than that accorded to investments effected by its own investors or investors of any third state.
2. Should, from the legislation of one of the Contracting Parties, or from the international obligations that may come into force between the Contracting Parties for the future, come out a legal framework according to which the investors of the other Contracting Party would be granted a more favourable treatment than the one foreseen in this Agreement, this treatment will apply to investors of the other Contracting Party.
3. If a Contracting Party has accorded or shall accord in future advantages, privileges or rights to investor(s) of any third state by virtue of its membership to existing or future agreements establishing a free trade area, a customs union, a common market, and / or by virtue of its signature of a regional or subregional Agreement, and international multilateral economic Agreement or under Agreements signed in order to prevent double taxation or to facilitate cross border trade, it shall not be obliged to accord such advantages, privileges or rights to investors of the other Contracting Party.

Article 4. Expropriation and Compensation

1. Investments of natural and legal persons of either Contracting Party shall not be nationalized, confiscated, expropriated or subjected to measures having an equivalent effect by the other Contracting Party except such measures are taken for public purposes, in accordance with due process of law and in a non-discriminatory manner.
2. Compensation shall be prompt, effective and appropriate. The amount of compensation shall be equivalent to the fair market value of the investment immediately before the nationalization, confiscation or expropriation has been taken, announced or made public. Compensation shall be calculated in a convertible currency at the prevailing exchange rate applicable immediately before the nationalization or expropriation has been taken, announced or made public.

The expropriating or nationalizing Contracting Party will be under a commitment to pay compensation without undue delay. In case of undue delay the financial costs related to the delayed payment shall be borne by the expropriating Contracting Party from the day on which the payment becomes due till the date of actual payment and based on the prevailing rate applicable in the European banking system.

3. A national or company of either Contracting Party that asserts that all or part of its investment has been expropriated shall enjoy the right of prompt review by the appropriate judicial or administrative authorities of the other Contracting Party, to determine whether any such expropriation has occurred and, if so, whether such expropriation and any compensation thereof conforms to the principles set forth in this Article, and to decide all other matters relating thereto.
4. Should the expropriating Contracting Party decide to sell the expropriated investment, the former owner or his assignees have the right to repurchase it at the fair market value which in no case is less than the compensation price.

Article 5. Treatment for Damages or Losses

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

Article 6. Repatriation and Transfer

1. Each Contracting Party shall permit in good faith the following transfers related to investments referred to in this Agreement, to be made freely and without undue delay out of its territory after fiscal obligations and legal procedures related to the transfer have been met:

- (a) Returns;
- (b) Proceeds from the sale and/or liquidation of all or part of an investment;
- (c) Royalties and fees related to agreements on the transfer of technology;
- (d) Sums paid pursuant to Articles 4, 5 and 7 of this Agreement;Articles 4, 5 and 7 of this Agreement;
- (e) Loan installments related to an investment provided that they are paid out of such investment activities;
- (f) Monthly salaries and wages received by the employees of an investor who have obtained in the territory of the host Contracting Party the corresponding work permits related to that investment;
- (g) Payments resulting from the decision made by a court and / or an arbitral tribunal under the provisions of Article 8.Article 8.

2. The above transfers shall be effected in a convertible currency and at the prevailing rate of exchange at the date on which the investor applies for the related transfer to the bank, to which the investor has made the relevant funds available for the purpose of transfer.

3. The investor may choose to agree otherwise with the host Contracting Party on the manner of repatriation or transfers referred to in this Article.

Article 7. Subrogation

If a Contracting Party or its designated agency subrogates an investor pursuant to a payment made under an insurance or guarantee agreement against non- commercial risks under a system established by law:

- (a) Such subrogation shall be recognized by the other Contracting Party;
- (b) The subrogee 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 8 of this Agreement.

Article 8. Settlement of Disputes between a Contracting Party and Investor(s) of the other Contracting Party

1. If any dispute arises between the host Contracting Party and investor(s) of the other Contracting Party with respect to an investment, the host Contracting Party and the investor(s) shall primarily endeavour to settle the dispute in an amicable manner through negotiation and consultation.

2. In the event that such dispute cannot be settled as provided in paragraph 1 of this Article within six months from the date of the written application for settlement, the investor in question may submit at his choice the dispute for settlement to:paragraph 1 of this Article within six months from the date of the written application for settlement, the investor in question may submit at his choice the dispute for settlement to:

- (a) The host Contracting Party's court having territorial jurisdiction;

Or with due regard to the laws and regulations of the host Contracting Party to:

(b) An ad hoc Arbitral Tribunal, in compliance with the arbitration rules of the UN Commission on the International Trade Law (UNCITRAL); the host Contracting Party undertakes hereby to accept the reference to said arbitration; arbitration rules of the UN Commission on the International Trade Law (UNCITRAL); the host Contracting Party undertakes hereby to accept the reference to said arbitration;

(c) The International Center for Settlement of Investment Disputes, 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 other States, if or as soon as both Contracting Parties have acceded to it. Washington Convention of 18 March, 1965, on the Settlement of Investment Disputes between States and Nationals of other States, if or as soon as both Contracting Parties have acceded to it.

Article 9. Settlement of Disputes between the Contracting Parties

1. Any dispute which may arise between the Contracting Parties relating to the interpretation and application of this Agreement shall, as far as possible, be settled through consultations and negotiations.

2. In the event that the dispute cannot be settled within six months from the date on which one of the Contracting Parties notifies in writing the other Contracting Party, the dispute shall, at the request of one of the Contracting Parties and with due regard to their laws and regulations, be laid before an ad hoc Arbitration Tribunal as provided in this Article.

3. The Arbitration Tribunal shall be constituted on the following manner: within two months from the date on which the request for arbitration is received, each of the two Contracting Parties shall appoint one arbitrator and the two arbitrators thus appointed shall appoint the President of the tribunal within three months from the date of their appointments.

4. If, within the periods specified in paragraph 3 of this Article, the appointments have not been made, each of the two Contracting Parties can, in the absence of any other arrangement, ask the President of the International Court of Justice to make the appointment. In the event that the President of the International Court is a national 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 national of one of the Contracting Parties, or is unable to make the appointment for any reason, the most senior member of the International Court of Justice, who is not a national of one of the Contracting Parties, shall be invited to make the appointment. paragraph 3 of this Article, the appointments have not been made, each of the two Contracting Parties can, in the absence of any other arrangement, ask the President of the International Court of Justice to make the appointment. In the event that the President of the International Court is a national 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 national of one of the Contracting Parties, or is unable to make the appointment for any reason, the most senior member of the International Court of Justice, who is not a national of one of the Contracting Parties, shall be invited to make the appointment.

5. The Arbitration Tribunal shall rule with a majority vote and its decisions shall be binding on the Contracting Parties. Both Contracting Parties shall pay the costs of their own arbitration and of their representative at the hearings. The President's costs and any other cost shall be divided equally between the Contracting Parties.

6. The Arbitration Tribunal shall lay down its own procedures and determine the place of arbitration.

Article 10. Validity of the Agreement

1. This Agreement shall be ratified.

2. This Agreement shall enter into force for a period of ten years after 30 days from the date of the last of the two notifications by which the two 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, duly authorized thereto by their respective Governments, have signed this

Agreement.

Done at Rome on March 10, 1999, corresponding to Esfand 19, 1377 (Iranian calendar), in two originals, each in the Italian, Farsi and English languages, all texts being equally authentic. In case of any divergence of interpretation, the English text shall prevail.

For the Government of the Italian Republic

For the Government of the Islamic Republic of Iran

PROTOCOL

On signing the Agreement on reciprocal promotion and protection of investments between the Government of the Italian Republic and the Government of the Islamic Republic of Iran , the Contracting Parties also agreed on the following provisions , which shall be deemed as an integral part of this Agreement :

With reference to Article 1:

- In the territory of the Islamic Republic of Iran this Agreement shall apply to investments, reinvestments and any modification in the form of investments approved by the competent authority. 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.).
- With respect to both Contracting Parties, this Agreement shall also apply to investments made prior to its entry into force . However in the Islamic Republic of Iran the applicability of this Agreement to such investments shall be subject to the approval of the above- mentioned authority. The present Agreement shall not apply to disputes that have arisen before its entry into force.

With reference to Article 2:

- According to its laws and regulations, each Contracting Party shall regulate as favourable as possible the problems connected with the entry, stay, work and movement in its territory of nationals of the other Contracting Party performing activities related to investments under this Agreement, and members of their families.

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

Done at Rome on March 10, 1999, corresponding to Esfand 19, 1377 (Iranian calendar), in two originals, each in the Italian, Farsi and English languages , all texts being equally authentic. In case of any divergence of interpretation, the English text shall prevail.

For the Government of the Italian Republic

For the Government of the Islamic Republic of Iran