

PREAMBLE

The Government of the Republic of Turkey and the Government of the 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 and also to create and maintain favourable conditions for investments of the investors of one Contracting Party in the territory of the other Contracting Party and;

Recognizing the need to promote and protect investments of the investors 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, the following terms shall have the meaning as provided here below;

1. The term "investment", refers to every kind of property or 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 (hereinafter referred to as the host Contracting Party) and particularly, but not exclusively, including:

(a) Movable and immovable property, as well as rights related thereto;

(b) Shares, stocks or any kind of participation in companies,

(c) Returns reinvested, title to money or to any performance related to an investment having an economic value

(d) Industrial and intellectual property rights such as patent, utility models, industrial designs or models, trade marks and names, know-how and goodwill

(e) Rights to search for, extract and exploit natural resources

2. The term "investor" with regard to either Contracting Party refers to the following persons who invest in the territory of the other Contracting Party:

(a) Natural persons who, according to the laws of that Contracting Party, are considered to be its nationals;

(b) Corporations, firms or business associations incorporated and constituted under the law in force of either of the Contracting Parties and having their headquarter, seat and real economic activities in the territory of that Party, on the condition that they are approved by the competent authorities of the host Contracting Party.

3. The term "returns" refers to the amounts yielded by an investment such as profit, dividends, royalties and fees.

Article 2. Applicability of the Agreement

This Agreement shall only apply to investments approved by the competent authorities of the host Contracting Party.

The competent authority in the Republic of Turkey is:

Undersecretariat of Treasury,

General Directorate of Foreign Investment (G.D.F.I)

Inönü Bulvarı 06510 Balgat

Ankara

TURKEY

The competent authority in the Islamic Republic of Iran is:

Organization for Investment, Economic and Technical Assistance of Iran (O.I.E.T.I)

15th Khordad Square, Tehran, IRAN

Article 3. Promotion and Admission of Investments

1. Either Contracting Party shall encourage and create favourable conditions for its investors to invest in the territory of the other Contracting Party.
2. Either Contracting Party shall encourage and create favourable conditions for investors of the other Contracting Party to invest in its territory.
3. Either Contracting Party with respect to its laws and regulations admit investments of investors of the other Contracting Party in its territory, on a basis no less favourable than that accorded in similar situations to investments of investors of any third country.
4. Either Contracting Party after the admission of an investment shall grant all permits which are necessary in accordance with its laws and regulations for the proper realization of the said investment.

Article 4. Protection of Investments

1. Investments of investors of one Contracting Party effected within the territory of the other Contracting Party shall receive in the other Contracting Party full legal protection and fair treatment not less favourable than that accorded to investments of its investors or to investments of investors of any third state which are in a comparable situation.
2. If a Contracting Party accords special rights and advantages to one or more 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 or any the other agreements on taxation it shall not be obliged to accord such rights and advantages to investors of the other Contracting Party.

Article 5. More Favourable Provisions

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

Article 6. Expropriation and Compensation

1. Investments of investors of one Contracting Party shall not be expropriated, nationalized or subjected to similar measures by the other Contracting Party except for a public purpose, 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 the investment immediately before the action of expropriation, nationalization or confiscation was taken or become known.

Article 7. Losses

Investors of either Contracting Party whose investments suffer losses due to 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 favourable than that accorded to its own investors or to investors of any other third country

Article 8. Repatriation and Transfer

1. Each Contracting Party shall permit in good faith all repatriations and transfers related to investments subject matter of this Agreement to be made freely and without delay. Such transfers include:

- (a) Returns;
- (b) Proceeds from the sale or liquidation of all or part of an investment;

- (c) Royalties and fees related to transfer of technology agreements;
- (d) Sums paid pursuant to Article 6 and 7;
- (e) Loan installments related to an investment provided they are sourced to the activities of the investment concerned;
- (f) Monthly salaries, wages and other remuneration received by nationals of one Contracting Party who have obtained in the territory of the other Contracting Party, the corresponding work permits relative to an investment;
- (g) Payments arising from a dispute relating to an investment.

2. Unless otherwise agreed with the investor on the mechanism of transfers referred to this Article, transfers shall be effected in a convertible currency and at the current rate of exchange in accordance with the exchange regulations prevailing on the date of transfer.

Article 9. Subrogation

1. 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;
 - 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 the provisions of Article 11 of this Agreement

Article 10. Observance of Commitments

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

Article 11. Settlement of Disputes between a Contracting Party and Investor of the other Contracting Party

1. In the event of occurrence of a dispute between a Contracting Party in whose territory an investment is made and one or more investors of the other Contracting Party with respect to an investment, the Contracting Party in whose territory the investment is made and the investor(s) shall primarily endeavour to settle the dispute in an amicable manner through negotiation and consultation.
2. In the event that the Contracting Party in whose territory an investment is made and the investor(s) are unable to agree within six months from the notification of the claim by one party to the other, the dispute upon the request of the investor, be referred to
 - (a) The competent courts of the Contracting Party in whose territory the investment is made, or with due regard of their own laws and regulations to:
 - (b) The ad hoc arbitral tribunal of three members established in the following manner:

The Party to the dispute that desires to refer the dispute to the arbitration shall appoint an arbitrator through a written notice sent to the other Party. The other party shall appoint an arbitrator within sixty days from the date of receipt of the said notice and the appointed arbitrators shall within the sixty days from the date of the last appointment, appoint the umpire. In the event that each of the parties fails to appoint its arbitrator within the mentioned period or that the appointed arbitrators fail to agree on the umpire, each of the parties may request the President of the International Arbitral Tribunal of the International Chamber of Commerce to appoint the failing party's arbitrator or the umpire, as the case may be. In any event the umpire shall be appointed amongst nationals of a country having diplomatic relations with both Contracting Parties.

3. The arbitration shall be conducted according to the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL).

4. A dispute primarily referred to the competent courts of the Contracting Party in whose territory the investment is made, as long as it is pending, cannot be referred to arbitration save with the parties agreement; and in the event that a final judgement is rendered it cannot be referred to arbitration.

5. 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.

6. The decisions of the tribunal shall be final and binding for the parties to the dispute.

Article 12. Settlement of Disputes between the Contracting Parties

1. All disputes arising between the Contracting Parties relating to the

Interpretation or application of this Agreement shall, in the first place, be settled by amicable consultation. If the dispute(s) cannot be settled through consultation within six months from the date of arising the dispute(s), either of the Contracting Parties may with the observance of its laws and regulations, submit the dispute to a board of arbitration of three members consisting of two arbitrators appointed by the Contracting Parties and an umpire, while sending a notice to the other party.

In case of submission of the dispute to the arbitration, either of the Contracting Parties shall appoint an arbitrator within sixty days from the receipt of the notification and the arbitrators appointed by the Contracting Parties shall appoint the umpire within sixty days from the date of last appointment. If any of the Contracting Parties does not appoint its own arbitrator or the appointed arbitrators do not agree on the appointment of the umpire within the said periods either of the Contracting Parties may request the president of the International Court of Justice to appoint the arbitrator on behalf of the failing party or the umpire, as the case may be. However the umpire shall have to be a national of a country having diplomatic relations with both Contracting Parties at the time of arbitration.

2. In the case of appointment of the umpire by the International Court of

Justice, if the president of the International Court of Justice is prevented from carrying out the said function or if he is a national of either Contracting Party, the appointment shall be made by vice-president of the International Court of Justice, and if the vice-president is also prevented from carrying out the said function or is a national of either Contracting Party, the appointment shall be made by senior member of the said court who is not national of either Contracting Party.

3. Subject to other provisions agreed by the Contracting Parties, the

Tribunal shall determine its procedure and the place of arbitration. In the absence of such an agreement on the procedure, the arbitration rules of procedure of the United Nations Commission on International Trade Law (UNCITRAL) will serve as the applicable rules.

4. The decisions of the tribunal shall be binding for the Contracting Parties

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Article 13. Validity of the Agreement

1. This Agreement shall be ratified by the competent authorities of either Contracting Party in accordance with their laws and regulations.

2. This Agreement shall enter into force for a period of 10 years as from 30 days after the date of the last notification of either Contracting Party for the coming into force of the Agreement under their relevant laws and regulations. After the expiration of the said period, this Agreement shall remain in force thereafter unless one of the Contracting Parties notify in writing by a prior six months notice the other Contracting Party of its expiration or termination.

3. With respect to investments made or acquired prior to the expiration of validity of this Agreement, the provisions of all the other Articles of this Agreement shall thereafter continue to be effective for a further period of ten years from such date of expiration.

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

Done in duplicate at Ankara this 19th day of December 1996 in the Turkish, Persian and English languages, all texts being equally authentic. In case of divergence of interpretation the English text shall prevail.

For the Government of the Republic of Turkey

For the Government of the Islamic Republic of Iran

On signing the Agreement between the Government of the Islamic Republic of Iran and the Government of the Republic of Turkey on Reciprocal Promotion and Protection of Investments, the Contracting Parties also agreed on the following clause, which shall be deemed to form and integral part of the Agreement:

Only the English version of this Agreement is being signed in Ankara, this 19th day of December 1996. Persian and Turkish versions will be provided by the Contracting Parties, through diplomatic channels, within three months beginning from the date of signature.

For the Government of the Republic of Turkey

For the Government of the Islamic Republic of Iran