

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

The Government of the Republic of Croatia 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 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" means 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 includes:
 - (a) movable and immovable property as well as rights related thereto,
 - (b) shares or any kind of participation in companies;
 - (c) right to money or to any performance 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 carry out an economic activity and 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) legal entities of either Contracting Party which are established and incorporated under the laws of that Contracting Party and have their seat together with their real economic activities in the territory of that same Contracting Party .

3. The term "returns" refers to the amounts legally yielded by an investment such as profit derived from investment, dividends, royalties, fees, capital gains and payments deriving from loans.
4. The term " territory " means:
 - with respect to the Republic of Croatia, the territory of the Republic of Croatia as well as those maritime areas adjacent to the outer limit of the territorial sea including the seabed and subsoil over which the Republic of Croatia exercises sovereign rights and jurisdiction in accordance with international law.
 - with respect to the Islamic Republic of Iran, the territory of the Islamic Republic of Iran including maritime areas as well as continental shelf, seabed, subsoil, air space above and exclusive economic zones to the extent to which the Islamic Republic of Iran exercises sovereignty or jurisdiction.

ARTICLE 2

PROMOTION OF INVESTMENTS

1. Either Contracting Party shall encourage and create favourable conditions for its nationals to invest in the territory of the other Contracting Party.
2. Either Contracting Party shall, subject to its laws and regulations, encourage and create favourable conditions for nationals of the other Contracting Party to invest in its territory.

ARTICLE 3

ADMISSION OF INVESTMENTS

1. Either Contracting Party shall with respect to its laws and regulations admit investments of natural persons and legal entities of the other Party in its territory.
2. 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 and implementation of the said investment.

ARTICLE 4

PROTECTION OF INVESTMENTS

1. Investments of national and legal persons 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 its investors or to investors of any third state which are in a comparable situation.
2. Neither Contracting Party shall in its territory subject nationals or companies of the other Contracting Party, as regards their management, maintenance, use, enjoyment or disposal of their investments, to treatment less favourable than that which it accords to its own nationals or companies or to nationals or companies of any third State.

3. 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, 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 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. Such compensation shall amount to the market value of the expropriated investment immediately before the expropriation or before the impending expropriation became public knowledge. In case of delay in the payment of the compensation the host Contracting Party will pay financial compensation for the delay period from the date of entitlement of the investor to compensations to the date of payment in accordance with its laws and regulations.

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 transfers related to investments subject matter of this Agreement, to be made freely and without unreasonable 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 Articles 6 and 7,

- (e) loan instalment related to an investment provided they are related to the activities of the investment concerned ;
 - (f) Monthly salaries, and wages 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**

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 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. Any dispute between the Contracting Party and an investor of the other Party shall be settled peacefully by consultation and negotiation.
- 2. If these disputes cannot be settled in this way within six months from the date of the written notification of the claim by one Party to the other, the dispute shall with the observance of their laws and regulations be submitted, at the choice of the investor(s) to:
 - the court of arbitration of the Paris International Chamber of Commerce;
 - the ad hoc court of arbitration established under the Arbitration Rules of Procedure of the United Nations Commission for International Trade Law;
 - competent court of the Contracting Party in whose territory the investment is made.

the International Centre for Settlement of Investment Disputes (ICSID) set up by the "Convention of Settlement of Investment Disputes between States and Nationals of other States", in case both Contracting Parties have become signatories of this Convention.

3. The arbitration award shall be based on:
 - the provisions of this Agreement;
 - the national law of the Contracting Party in whose territory the investment is made.
4. The arbitration decisions shall be final and binding for the Parties to the dispute. The Contracting Party in whose territory investment is made shall ensure enforcement of the award on its territory.

ARTICLE 12

SETTLEMENT OF DISPUTES BETWEEN THE CONTRACTING PARTIES

1. Disputes between Contracting Parties regarding the interpretation and application of the provisions of this Agreement shall be settled by consultation and negotiation through diplomatic channels.
2. If both Contracting Parties cannot reach an agreement within twelve months after the beginning of the dispute between themselves, the latter shall, upon request of either Contracting Party and with observance of their laws and regulations, be submitted to an arbitration tribunal which shall be constituted as follows:
3. Each Contracting Party shall appoint an arbitrator and these two arbitrators shall appoint a chairman who shall be a national of a third State, which have diplomatic relations with both Contracting Parties.
3. If one of the Contracting Parties fails to appoint its arbitrator and doesn't follow the invitation of the other Contracting Party to make that appointment within two months, the arbitrator shall be appointed upon the request of that Contracting Party by the President of the International Court of Justice.
4. If both arbitrators cannot reach an agreement about the choice of the chairman within two months after their appointment, the latter shall be appointed upon the request of either Contracting Party by the President of the International Court of Justice.
5. If, in the cases specified under paragraphs 3 and 4 of this Article, 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 the Vice-President, and if the latter is prevented or if he is national of either Contracting Party, the appointment shall be made by the most senior Judge of the Court who is not a national of either Contracting Party.
6. Subject to other provisions made by the Contracting Parties, the arbitral tribunal shall determine its procedure. The arbitral tribunal shall reach its decisions by a majority of votes.
7. The decisions of the arbitral tribunal are final and binding for each Contracting Party.
8. Each Contracting Party shall bear the costs of its own member of the arbitral tribunal and of its representation in the arbitral proceedings; the costs of the chairman and remaining costs shall be borne in equal parts by the Contracting Parties. The arbitral tribunal may, however, decide that a

higher proportion of costs shall be borne by one of the Contracting Parties and this award shall be binding on both Contracting Parties.

ARTICLE 13
ENTRY INTO FORCE

This Agreement shall enter into force as from 30 days after latter date on which either Contracting Party notifies the other in writing through diplomatic channels that its internal legal requirements for the entry into force of this Agreement have been fulfilled.

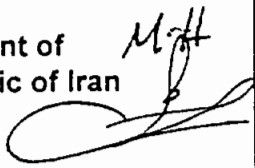
ARTICLE 14
DURATION AND TERMINATION

1. This Agreement shall remain in force for a period of 10 years from the date of entry into force of this Agreement. After the expiration of the said period, this Agreement shall remain in force thereafter unless one of the Contracting Parties notify in writing through diplomatic channels by a prior six months notice the other Contracting Party of its expiration or termination.
2. 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 two originals at Tehran this 17th day of May 2000 in the Croatian, 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 Croatia


For the Government of
the Islamic Republic of Iran

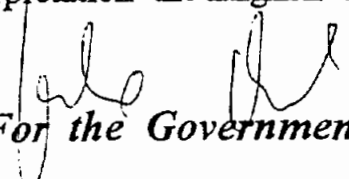
PROTOCOL

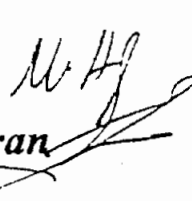
On signing the Agreement on reciprocal promotion and protection of investments between the Government of the Republic of Croatia and the Government of the Islamic Republic of Iran, the Contracting Parties also agreed on the following provision, which shall be deemed as an integral part of the Agreement:

- As far as the Republic of Croatia is concerned this Agreement shall apply to all investments made by investors of the Islamic Republic of Iran within the territory of the Republic of Croatia in accordance with the legislation in the Republic of Croatia related to investment and its implementing regulations or laws and regulations which will succeed to the above mentioned law and regulations.
- As far as the Islamic Republic of Iran is concerned this agreement shall only apply to investments approved by the competent authorities of the Islamic Republic of Iran. The competent authority in the Islamic Republic of Iran is:
Organization for Investment, Economic and Technical Assistance of Iran (O.I.E.T.A.I.).

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

Done in two originals at Tehran this Seventeenth of May 2000, corresponding to 28th Ordibehesht 1379 in Croatian, 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 Croatia

For the Government of

the Islamic Republic of Iran