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INTERNATIONAL COURT OF JUSTICE

PLEADINGS, ORAL ARGUMENTS, DOCUMENTS

ANGLO-IRANIAN
OIL Co. CASE
(UNITED KINGDOM *v.* IRAN)

COUR INTERNATIONALE DE JUSTICE

MÉMOIRES, PLAIDOIRIES ET DOCUMENTS

AFFAIRE DE
L'ANGLO-IRANIAN OIL Co.
(ROYAUME-UNI *c.* IRAN)



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This volume should be quoted as :

*I.C.J. Pleadings, Anglo-Iranian Oil Co. Case (United Kingdom
v. Iran)*

Le présent volume doit être cité comme suit :

*C. I. J. Mémoires, Affaire de l'Anglo-Iranian Oil Co. (Royaume-Uni
c. Iran)*

Sales number
N° de vente : **103**

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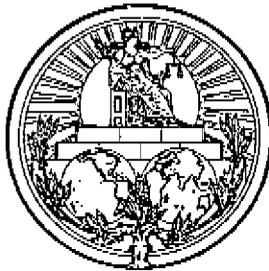


COUR INTERNATIONALE DE JUSTICE

MÉMOIRES, PLAIDOIRIES ET DOCUMENTS

AFFAIRE DE
L'ANGLO-IRANIAN OIL Co.
(ROYAUME-UNI c. IRAN)

ARRÊT DU 22 JUILLET 1952



PART I

APPLICATION INSTITUTING PROCEEDINGS,
REQUEST FOR THE INDICATION OF INTERIM
MEASURES OF PROTECTION AND PLEADINGS
(MERITS AND PRELIMINARY OBJECTION)

PREMIÈRE PARTIE

REQUÊTE INTRODUCTIVE D'INSTANCE,
DEMANDE EN INDICATION DE MESURES
CONSERVATOIRES ET PIÈCES DE LA
PROCÉDURE ÉCRITE
(FOND ET EXCEPTION PRÉLIMINAIRE)

SECTION A.—APPLICATION INSTITUTING
PROCEEDINGS

THE UNITED KINGDOM AGENT TO THE REGISTRAR
OF THE COURT

FOREIGN OFFICE, London, S.W. 1.

26th May, 1951.

Sir,

I have the honour to refer to the declaration made by the United Kingdom and by Iran accepting the Optional Clause provided for in Article 36 (2) of the Statute of the International Court of Justice, and, under the jurisdiction thereby conferred upon the Court, to submit, in accordance with Article 40 (1) of the Statute and Article 32 (2) of the Rules of the Court, an Application instituting proceedings in the name of the Government of the United Kingdom of Great Britain and Northern Ireland against the Imperial Government of Iran in the following case :

*Statement of
facts*

2. On the 29th April, 1933, a Convention (a copy of which, containing also an English translation prepared for the use of the Company, is annexed to this Application as Annex A¹) was concluded between the Imperial Government of Persia (now the Imperial Government of Iran) and the Anglo-Persian Oil Company, Limited (now the Anglo-Iranian Oil Company, Limited), a company incorporated in the United Kingdom. This Convention (hereinafter described as the Convention), after being ratified by the Persian Majlis on the 28th May, 1933, and after receiving the Imperial Assent on the 29th May, 1933, came into force on the 29th May, 1933. In Article 1 of the Convention the Imperial Government of Persia granted to the Company "le droit exclusif, dans le territoire de la Concession [which was defined in Article 2 of the Convention], de rechercher et d'extraire le pétrole, ainsi que de raffiner ou traiter de toute autre manière et rendre propre pour le commerce le pétrole obtenu par elle". The Company was also granted, throughout Persia, "le droit non exclusif de transporter le pétrole, de le raffiner ou traiter de toute autre manière et de le rendre propre pour le commerce, ainsi que de le vendre en Perse et l'exporter".

In Article 26 of the Convention it was provided that "Cette Concession est octroyée à la Compagnie pour la période commençant le jour de son entrée en vigueur et expirant le 31 décembre 1993.

"Avant la date du 31 décembre 1993, cette Concession ne pourra prendre fin que dans le cas où la Compagnie renoncerait à la Conces-

¹ The text of the Convention is also reproduced in the League of Nations *Official Journal* for August-December, 1933, Annex 1467.

sion (art. 25) ou dans le cas où le tribunal arbitral¹ déclarerait annulée la Concession par suite de faute de la Compagnie dans l'exécution de la présente Convention.

"Ne seront considérés comme fautes dans ce sens que les cas suivants :

- a) si une somme quelconque, allouée à la Perse par le tribunal arbitral, n'a pas été payée dans le délai d'un mois à compter de la sentence ;
- b) si la liquidation volontaire ou forcée de la Compagnie est décidée.

"En tous autres cas d'infraction à la présente Convention par l'une ou l'autre partie, le tribunal arbitral fixera les responsabilités et en déterminera les conséquences...."

In Article 21 of the Convention it was provided that "Les parties contractantes déclarent baser l'exécution de la présente Convention sur les principes réciproques de bonne volonté et de bonne foi ainsi que sur une interprétation raisonnable de cette Convention" ; also that "Cette Concession ne sera pas annulée par le Gouvernement et les dispositions y contenues ne seront altérées ni par une législation générale ou spéciale future, ni par des mesures administratives ou tous autres actes quelconques des autorités exécutives."

In Article 22 of the Convention it was provided that "tous différends de nature quelconque entre les parties" should be settled by arbitration ; that the party requesting arbitration should notify the other party in writing ; that each of the parties should appoint an arbitrator and that the two arbitrators, before proceeding to arbitration, should appoint an umpire. It was also provided in the same article that, in the event of a failure to agree within two months on the person of the umpire, the latter should be nominated, at the request of either of the parties, by the President of the Permanent Court of International Justice ; that, if one of the parties did not appoint its arbitrator or did not advise the other party of its appointment, within sixty days of having received notification of the request for arbitration, the other party should have the right to request the President of the Permanent Court of International Justice to nominate a sole arbitrator ; that the procedure of arbitration should be that followed, at the time of the arbitration, by the Permanent Court of International Justice ; and that the award should be based on the juridical principles contained in Article 38 of the Statutes of the Permanent Court of International Justice.

3. The effect of Article 22 of the Convention was thereby to exclude from the jurisdiction of the Persian courts "tous différends de nature quelconque entre les parties" and to make the form of arbitration laid down in that article the exclusive legal remedy open to either party in the event of such differences arising between them.

¹ See Article 22 of the Convention, discussed below.

4. On the 15th March, 1951, and the 20th March, 1951¹, the Iranian Majlis and the Iranian Senate respectively approved a Single Article enunciating the principle of the nationalization of the oil industry in Iran, and this Single Article subsequently received the Imperial assent, dated the 1st May, 1951. On the 26th April, 1951, the Majlis Oil Committee prepared a Bill (resolution) "for carrying out oil nationalization" and this Bill was passed by the Majlis on the 28th April, 1951. On the same day (28th April, 1951), the Anglo-Iranian Oil Company, Limited, protested against the proposed action to the Imperial Government of Iran without effect. (A copy of this protest is filed as Annex B to this Application.) The Bill was passed by the Senate on the 30th April, 1951, and it then received the Imperial assent, dated the 1st May, 1951. This Act (hereinafter referred to as the Iranian Oil Nationalization Act of the 1st May, 1951, and a translation of which into English is filed as Annex C to this Application) involves the establishment of a "mixed Board composed of five Senators and five Deputies, elected by each of the two Houses, and of the Minister of Finance or his deputy" (Article 1). It also obliges the Imperial Government of Iran "to dispossess at once the former Anglo-Iranian Oil Company under the supervision of the mixed Board" (Article 2). The Act further states that: "Whereas, with effect from the 29th Isfand 1329 (20th March, 1951), when nationalization of the oil industry was sanctioned also by the Senate, the entire revenue derived from oil and its products is indisputably due to the Persian nation, the Government is bound to audit the Company's accounts under the supervision of the mixed Board, which must also closely supervise exploitation as from the date of the implementation of this law until the appointment of an executive body." (Article 4.)

5. On the 8th May, 1951, believing that the Iranian Oil Nationalization Act of the 1st May, 1951, amounted, on the part of Iran, to a unilateral annulment, or alteration of the terms, of the Convention contrary to the express terms of Articles 21 and 26 of the Convention, which had been ratified by the Majlis, the Anglo-Iranian Oil Company, Limited, which had, as indicated in paragraph 4 above, protested against the proposed action without effect, filed a notice requesting that its difference with the Imperial Government of Iran be submitted to arbitration, in accordance with the terms of Article 22 of the Convention. (A copy of this notice is filed as Annex D to this Application.)

6. On the 20th May, 1951, the Iranian Minister of Finance

¹ In the Imperial assent to the Iranian Oil Nationalization Act, dated the 1st May, 1951, the 17th March, 1951, is given as the date of the Single Article. This was in fact the date on which the Senate Standing Committees on Foreign Affairs and Finance reached agreement on the Single Article.

wrote a letter to "Mr. Representative of the former Anglo-Iranian Oil Company" (a translation of which into English is filed as Annex E to this Application¹) in which it was stated that "The nationalization of the oil industry is not subject to arbitration, and no international authority is qualified to investigate this matter"; and also that "The Persian Government in the present circumstances has no other duty except the enforcement of the above-mentioned law, and does not agree whatsoever with the contents of the letter of the former oil company regarding reference to arbitration". The Minister of Finance underlined the determination of the Imperial Government of Iran to reject a settlement by arbitration by inviting "the former oil company" to appoint representatives with a view to implementing the nationalization law. It is plain from the terms of the Minister of Finance's letter that the position of the Imperial Government of Iran is that the execution of the Iranian Oil Nationalization Act of the 1st May, 1951, is to proceed and that there is no remedy to which the Company can have recourse in order to arrest its execution. After receiving and considering this letter, the Anglo-Iranian Oil Company, Limited, despatched a communication to the President of the Court requesting him, in accordance with paragraph (d) of Article 22 of the Convention, to appoint a sole arbitrator to decide the dispute between the Company and the Imperial Government of Iran.

7. An attempt has also been made to reach a friendly settlement between the Imperial Government of Iran and the Government of the United Kingdom through the diplomatic channel. On the 19th May, 1951, His Britannic Majesty's Ambassador in Tehran delivered a note to the Imperial Government of Iran expressing the hope that the problem could be solved by negotiation to the satisfaction of all concerned and offering, on behalf of the Government of the United Kingdom, to send a mission forthwith to Tehran to discuss the terms of a new agreement. (A copy of this note is filed as Annex F to this Application.) A reply to this note has not yet been received from the Imperial Government of Iran, but instead a further letter, addressed by the Iranian Minister of Finance to "Mr. Representative of the former Anglo-Iranian Oil Company", was delivered on the 24th May, 1951. In this letter (a translation of which into English is filed as Annex G to this Application) the Minister of Finance stated that, if the Company's representatives did not attend within six days, the Imperial Government of Iran would proceed to implement the nationalization law. It would appear, therefore, to the Government of the United Kingdom that the Imperial Government of Iran are not responding to the request of the Government of the United Kingdom that the problem should be settled by negotiation.

¹ See Annex E, p. 40, footnote 1, and Part IV, Correspondence.

8. This attempt to reach a friendly settlement through direct negotiations between the two Governments having proved abortive, there now exists a dispute between the Imperial Government of Iran and the Government of the United Kingdom—a dispute which the Government of the United Kingdom have deemed appropriate to submit to the Court.

9. The Government of the United Kingdom in submitting this dispute to the Court claim that :—

- (a) The Imperial Government of Iran are not entitled to refuse to submit the dispute between themselves and the Anglo-Iranian Oil Company, Limited, to arbitration, as provided for in Article 22 of the Convention concluded in 1933 between the Imperial Government of Persia and the Anglo-Persian Oil Company, Limited ;
- (b) By the terms of the Iranian Oil Nationalization Act of the 1st May, 1951, the Imperial Government of Iran have purported to effect a unilateral annulment, or alteration of the terms, of the Convention concluded in 1933 between the Imperial Government of Persia and the Anglo-Persian Oil Company, Limited, contrary to the express terms of Articles 21 and 26 of that Convention ;
- (c) In so purporting to effect a unilateral annulment, or alteration of the terms, of the Convention concluded in 1933 between the Imperial Government of Persia and the Anglo-Persian Oil Company, Limited, contrary to the express terms of Articles 21 and 26 of that Convention, the Imperial Government of Iran have thereby committed a wrong against the Anglo-Iranian Oil Company, Limited, a British national ;
- (d) In rejecting arbitration, the means provided by Article 22 of the Convention for settling "tous différends de nature quelconque entre les parties", after the Anglo-Iranian Oil Company, Limited, had filed a notice in writing requesting arbitration, in accordance with the provisions of that article, the Imperial Government of Iran have denied, or are attempting to deny, to the Company the exclusive legal remedy expressly provided for in the Convention ;
- (e) In purporting unilaterally to annul, or alter the terms of, the Convention with the Company, and in denying, or in attempting to deny, to the Company the exclusive legal remedy expressly provided for in the Convention, the Imperial Government of Iran have been, or will, if they persist in the denial of this remedy, be responsible for a denial of justice against a British national ;
- (f) By their conduct as set forth in (b) to (e) above, the Imperial Government of Iran have thereby treated a British national in a manner not in accordance with the principles of international law and have, in consequence, committed an international wrong against the Government of the United Kingdom.

*The jurisdiction
of the Court*

10. In the submissions of the Government of the United Kingdom, the Court has jurisdiction to determine this dispute between the Government of the United Kingdom and the Imperial Government of Iran for the reason that it is a dispute covered by the terms of the declaration, deposited with the Secretariat of the League of Nations on the 19th September, 1932, in which the Imperial Government of Persia accepted the jurisdiction of the Permanent Court of International Justice in conformity with Article 36 (2) of the Statute of that Court. By the terms of that declaration, the Imperial Government of Iran are bound to accept, on the basis of reciprocity, vis-à-vis any other government, the jurisdiction of the Court, "sur tous les différends qui s'élèveraient après la ratification de la présente déclaration, au sujet de situations ou de faits ayant directement ou indirectement trait à l'application des traités ou conventions acceptés par la Perse et postérieurs à la ratification de cette déclaration, exception faite pour :

- a) Les différends ayant trait au statut territorial de la Perse, y compris ceux relatifs à ses droits de souveraineté sur ses îles et ports ;
- b) Les différends au sujet desquels les parties auraient convenu ou conviendraient d'avoir recours à un autre mode de règlement pacifique ;
- c) Les différends relatifs à des questions qui, d'après le droit international, relèveraient exclusivement de la juridiction de la Perse."

11. In the submissions of the Government of the United Kingdom, this dispute between the Government of the United Kingdom and the Imperial Government of Iran is a dispute covered by the terms of the declaration, deposited by the Imperial Government of Persia with the Secretariat of the League of Nations on the 19th September, 1932, because

- (a) The dispute has arisen "après la ratification de la présente déclaration" (paragraph 12 below).
- (b) The dispute is "au sujet de situations ou de faits ayant directement ou indirectement trait à l'application des traités ou conventions acceptés par la Perse" (paragraph 13 below).
- (c) The dispute is "au sujet de situations ou de faits" which are "postérieurs à la ratification de cette déclaration" (paragraph 12 below).
- (d) The exceptions set forth in the aforesaid declaration are not applicable to the present case. In particular, the question whether or not a State has committed a breach of an international obligation is not, and cannot be, a question exclusively within the domestic jurisdiction of that State.

12. The dispute is a dispute which has arisen "après la ratification de la présente déclaration" (19th September, 1932), and is also a dispute "au sujet de situations ou de faits" which are "postérieurs à la ratification de cette déclaration" (19th September, 1932) in that both the dispute and the facts out of which it arises are all consequences of and subsequent to the Iranian Oil Nationalization Act of the 1st May, 1951.

13. The "traités ou conventions acceptés par la Perse", which are directly or indirectly involved by the situations and facts out of which the dispute arises, are of two kinds :

- (a) First, there are certain treaties and conventions by which Iran is obliged to accord to British nationals the same treatment as that accorded to nationals of the most favoured nation, and there are also certain other treaties and conventions, by which Iran is obliged to treat the nationals of other States in accordance with the principles of international law (paragraphs 14-15 below).
- (b) Secondly, there is a direct treaty obligation between Iran and the United Kingdom by which Iran is obliged to treat British nationals in accordance with the principles of international law (paragraph 17 below).

Further, the Convention concluded in 1933, by which the Concession was granted, may, having regard to the circumstances in which it was made, be held to be a "convention" within the meaning of that expression in the declaration deposited by the Imperial Government of Persia relating to Article 36 (2) of the Statute of the Court.

14. The treaties and conventions obliging Iran to accord to British nationals the same treatment as that accorded to nationals of the most favoured nation (referred to in paragraph 13 (a) above) are :

- (a) The Treaty concluded at Paris between the United Kingdom and Persia on the 4th March, 1857, Article IX of which reads : "The High Contracting Parties engage that, in the establishment and recognition of Consuls-General, Consuls, Vice-Consuls, and Consular Agents, each shall be placed in the dominions of the other on the footing of the most favoured nation ; and that the treatment of their respective subjects, and their trade, shall also, in every respect, be placed on the footing of the treatment of the subjects and commerce of the most favoured nation."
- (b) The Commercial Convention concluded at Tehran between the United Kingdom and Persia on the 9th February, 1903, Article II of which reads :

"... Il est formellement stipulé que les sujets et les importations britanniques en Perse, ainsi que les sujets persans et les importations persanes dans l'Empire britannique, continueront à jouir sous tous les rapports du régime de la nation la plus favorisée...."

15. The treaties obliging Iran to treat the nationals of certain other States in accordance with the principles of international law (also referred to in paragraph 13 (a) above) include the following :

- (a) The Treaty of Friendship and Establishment concluded at Tehran between Persia and Egypt on the 28th November, 1928, Article IV of which provides that the subjects of each of the High Contracting Parties shall enjoy "la plus constante protection et sécurité quant à leurs personnes, biens, droits et intérêts, conformément au droit commun international".
- (b) The Establishment Convention concluded at Tehran between Persia and Belgium on the 9th May, 1929, Article I of which provides that "Les ressortissants de chacune des hautes parties contractantes seront, sur le territoire de l'autre, reçus et traités, relativement à leur personne et à leurs biens, conformément au droit commun international. Ils y jouiront de la plus constante protection des lois et des autorités territoriales pour leur personne, leurs biens, droits et intérêts."
- (c) The Establishment Convention concluded at Tehran between Persia and Czechoslovakia on the 29th October, 1930, Article I of which provides that "Les ressortissants de chacun des États contractants seront accueillis et traités sur le territoire de l'autre État, en ce qui concerne leurs personnes et leurs biens, d'après les principes et la pratique du droit commun international. Ils y jouiront de la plus constante protection des lois et autorités territoriales pour leurs personnes et pour leurs biens, droits et intérêts."
- (d) The Treaty of Friendship, Establishment and Commerce concluded at Tehran between Persia and Denmark on the 20th February, 1934, Article IV of which provides that "Les ressortissants de chacune des hautes parties contractantes seront, sur le territoire de l'autre, reçus et traités, relativement à leurs personnes et à leurs biens, conformément aux principes et à la pratique du droit commun international. Ils y jouiront de la plus constante protection des lois et des autorités territoriales pour leurs personnes, et pour leurs biens, droits et intérêts."
- (e) The Establishment Convention concluded between Persia and Switzerland at Berne on the 25th April, 1934, Article I of which provides that "Les ressortissants de chacune des hautes parties contractantes seront accueillis et traités sur le territoire de l'autre partie, en ce qui concerne leurs

personnes et leurs biens, d'après les principes et la pratique du droit commun international. Ils y jouiront de la plus constante protection des lois et autorités territoriales pour leurs personnes et pour leurs biens, droits et intérêts."

- (f) The Establishment Convention concluded at Tehran between Persia and Germany on the 17th February, 1929, Article I of which provides that "Les ressortissants de chacun des États contractants seront accueillis et traités sur le territoire de l'autre État, en ce qui concerne leurs personnes et leurs biens, d'après les principes et la pratique du droit commun international. Ils y jouiront de la plus constante protection des lois et autorités territoriales pour leurs personnes, et pour leurs biens, droits et intérêts."
- (g) The Establishment Convention concluded at Tehran between Persia and Turkey on the 14th March, 1937, Article I of which provides that "Les ressortissants de chacune des hautes parties contractantes seront, sur le territoire de l'autre, reçus et traités, relativement à leurs personnes et à leurs biens, conformément au droit commun international. Ils y jouiront de la plus constante protection des lois et des autorités territoriales pour leurs personnes et leurs biens, droits et intérêts."
- (h) The Exchange of Notes between Persia and the United States constituting a *modus vivendi* regarding friendly and commercial relations, dated the 14th May, 1928, in which the Acting Persian Minister for Foreign Affairs stated that "A dater du 10 mai 1928, les ressortissants des États-Unis d'Amérique en Perse seront admis et traités conformément aux règles et pratiques du droit commun international et sur la base d'une parfaite réciprocité."
- (i) The Exchange of Notes between Persia and the Netherlands constituting a *modus vivendi* regarding friendship and commerce dated the 20th June, 1928, in which the Acting Persian Minister for Foreign Affairs stated: "Les ressortissants des Pays-Bas sur le territoire de la Perse y seront admis et traités conformément aux règles et pratiques du droit commun international."
- (j) The Exchange of Notes between Persia and Italy, constituting a *modus vivendi* in matters of commerce and jurisdiction dated the 25th June, 1928, in which the Acting Persian Minister for Foreign Affairs stated: "Les ressortissants italiens seront admis et traités sur le territoire persan conformément aux règles et pratiques du droit commun international sur la base d'une parfaite réciprocité."

16. As shown in paragraphs 14 and 15 above, Iran has accepted treaties and conventions binding her to accord to British nationals the same treatment as that accorded to the nationals of the most favoured nation and has also accepted treaties and conventions

binding her to treat the nationals of certain other States in accordance with the principles of international law. It therefore follows, in the submission of the Government of the United Kingdom, that Iran has accepted treaties binding her to treat British nationals in accordance with the principles of international law.

17. As indicated in paragraph 13 (b) above, there also exists a direct treaty obligation, binding the Imperial Government of Iran to treat British nationals in accordance with the principles of international law. This arises out of the fact that in an exchange of notes between the Imperial Government of Persia and the Government of the United Kingdom, on the 10th May, 1928, relating to the abolition of capitulations in Persia, the Imperial Government of Persia undertook that henceforth British nationals in Persia "will be admitted and treated on Persian territory in conformity with the rules and practice of international law"¹.

18. As stated in paragraph 9 above, it is the submission of the Government of the United Kingdom that the Imperial Government of Iran have treated the Anglo-Iranian Oil Company, Limited, a British national, in a manner which is not in accordance with the principles of international law. This treatment constitutes, on the part of the Imperial Government of Iran, not only a breach of the rules of customary international law but also a breach of treaty obligations accepted by that Government (see paragraphs 14-17 above), with the consequence that that Government, in accordance with the terms of their declaration, deposited with the Secretariat of the League of Nations on the 19th September, 1932, accepting the jurisdiction of the Permanent Court of International Justice in conformity with Article 36 (2) of the Statute of that Court, are bound to submit to the jurisdiction of the International Court of Justice in this case.

19. For the reasons given in paragraphs 11-18 above, it is the submission of the Government of the United Kingdom that the Court has the right to exercise jurisdiction in this case under Article 36 (2) of the Statute of the Court, by reason of the declaration deposited by the Imperial Government of Persia with the Secretariat of the League of Nations on the 19th September, 1932.

20. Alternatively, whether or not the Court has the right to exercise jurisdiction in this case by virtue of the terms of the aforesaid declaration of the Imperial Government of Persia, the Government of the United Kingdom expect that Iran, as a Member of the United Nations, one of the purposes of which is "to bring about by

¹ The original text was in French and reads as follows: "seront admis et traités sur le territoire persan conformément aux règles et pratiques du droit commun international".

peaceful means, and in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations which might lead to a breach of the peace" (Article 1 (1) of the Charter), and mindful of the principle that "legal disputes should as a general rule be referred by the parties to the International Court of Justice in accordance with the provisions of the Statute of the Court" (Article 36 (3) of the Charter), will agree to appear before the Court voluntarily in order to hear and answer on their merits the arguments of the Government of the United Kingdom. (*Forum prorogatum; Corfu Channel case* (Preliminary Objection); Judgment of March 25th, 1948—*I.C.J. Reports 1947-1948*, page 27.) This course is all the more incumbent upon the Imperial Government of Iran since the dispute in a large measure concerns the Convention concluded on the 29th April, 1933, between the Imperial Government of Persia and the Anglo-Persian Oil Company, Limited, in which both parties declared that they base "l'exécution de la présente Convention sur les principes réciproques de bonne volonté et de bonne foi".

Nature of the
claim

21. Accordingly, the Government of the United Kingdom ask the Court to give notice of the present Application to the Imperial Government of Iran in accordance with Article 40 (2) of the Statute of the Court and, after hearing the contentions of the parties :

(a) To declare that the Imperial Government of Iran are under a duty to submit the dispute between themselves and the Anglo-Iranian Oil Company, Limited, to arbitration under the provisions of Article 22 of the Convention concluded on the 29th April, 1933, between the Imperial Government of Persia and the Anglo-Persian Oil Company, Limited, and to accept and carry out any award issued as a result of such arbitration.

(b) Alternatively,

- (i) To declare that the putting into effect of the Iranian Oil Nationalization Act of the 1st May, 1951, in so far as it purports to effect a unilateral annulment, or alteration of the terms, of the Convention concluded on the 29th April, 1933, between the Imperial Government of Persia and the Anglo-Persian Oil Company, Limited, contrary to Articles 21 and 26 thereof, would be an act contrary to international law for which the Imperial Government of Iran would be internationally responsible;
- (ii) To declare that Article 22 of the aforesaid Convention continues to be legally binding on the Imperial Government of Iran and that, by denying to the Anglo-Iranian Oil Company, Limited, the exclusive legal remedy provided in Article 22 of the aforesaid Convention,

the Imperial Government have committed a denial of justice contrary to international law ;

- (iii) To declare that the aforesaid Convention cannot lawfully be annulled, or its terms altered, by the Imperial Government of Iran, otherwise than as the result of agreement with the Anglo-Iranian Oil Company, Limited, or under the conditions provided in Article 26 of the Convention ;
- (iv) To adjudge that the Imperial Government of Iran should give full satisfaction and indemnity for all acts committed in relation to the Anglo-Iranian Oil Company, Limited, which are contrary to international law or the aforesaid Convention, and to determine the manner of such satisfaction and indemnity.

22. The Government of the United Kingdom reserve the right to request the Court, in accordance with Article 41 of the Statute of the Court, to indicate any provisional measures which ought to be taken to protect the rights of the Government of the United Kingdom that their national, the Anglo-Iranian Oil Company, Limited, should enjoy the rights to which it is entitled under the aforesaid Convention.

23. The undersigned has been appointed by the Government of the United Kingdom as its Agent for the purposes of these proceedings.

I have the honour to be, etc.

(Signed) ERIC BECKETT,
Legal Adviser to the
Foreign Office.

ANNEX A

AGREEMENT

BETWEEN THE IMPERIAL GOVERNMENT OF PERSIA AND
THE ANGLO-PERSIAN OIL COMPANY, LIMITED,
MADE AT TEHERAN ON APRIL 29th, 1933

[*Translation*]

PREAMBLE

For the purpose of establishing a new Concession to replace that which was granted in 1901 to William Knox D'Arcy, the present Concession is granted by the Persian Government and accepted by the Anglo-Persian Oil Company, Limited.

This Concession shall regulate in the future the relations between the two parties above mentioned.

DEFINITIONS

The following definitions of certain terms used in the present Agreement are applicable for the purposes hereof, without regard to any different meaning which may or might be attributed to those terms for other purposes :

"The Government" means the Imperial Government of Persia ;

"The Company" means the Anglo-Persian Oil Company, Limited, and all its subordinate companies ;

"The Anglo-Persian Oil Company, Limited" means the Anglo-Persian Oil Company, Limited, or any other body corporate to which, with the consent of the Government (Article 26), this Concession might be transferred ;

"Subordinate Company" means any company for which the Company has the right to nominate directly or indirectly more than one-half of the directors, or in which the Company holds, directly or indirectly, a number of shares sufficient to assure it more than 50 per cent of all voting rights at the general meetings of such a company ;

"Petroleum" means crude oil, natural gases, asphalt, ozokerite, as well as all products obtained either from these substances or by mixing these substances with other substances ;

"Operations of the Company in Persia" means all industrial, commercial and technical operations carried on by the Company exclusively for the purposes of this Concession.

Article 1

The Government grants to the Company, on the terms of this Concession, the exclusive right, within the territory of the Concession, to search for and extract petroleum as well as to refine or treat in any other manner and render suitable for commerce the petroleum obtained by it.

The Government also grants to the Company, throughout Persia, the non-exclusive right to transport petroleum, to refine or treat it in any other manner and to render it suitable for commerce, as well as to sell it in Persia and to export it.

Article 2

A. The territory of the Concession, until December 31st, 1938, shall be the territory to the south of the violet line drawn on the map¹ signed by both parties and annexed to the present Agreement.

B. The Company is bound, at latest by December 31st, 1938, to select on the territory above mentioned one or several areas of such shape and such size and so situated as the Company may deem suitable. The total area of the area or areas selected must not exceed one hundred thousand English square miles (100,000 square miles), each linear mile being equivalent to 1,609 metres.

The Company shall notify to the Government in writing on December 31st, 1938, or before that date, the area or areas which it shall have selected as above provided. The maps and data necessary to identify and define the area or areas which the Company shall have selected shall be attached to each notification.

C. After December 31st, 1938, the Company shall no longer have the right to search for and extract petroleum except on the area or areas selected by it under paragraph B above, and the territory of the Concession, after that date, shall mean only the area or areas so selected and the selection of which shall have been notified to the Government as above provided.

Article 3

The Company shall have the non-exclusive right to construct and to own pipe-lines. The Company may determine the position of its pipe-lines and operate them.

Article 4

A. Any unutilized lands belonging to the Government, which the Company shall deem necessary for its operations in Persia and

¹ The map annexed to the original document is not reproduced, but may be referred to in the archives of the Secretariat [of the League of Nations].

which the Government shall not require for purposes of public utility, shall be handed over gratuitously to the Company.

The manner of acquiring such lands shall be the following : whenever any land becomes necessary to the Company, it is bound to send to the Ministry of Finance a map or maps on which the land which the Company needs shall be shown in colour. The Government undertakes, if it has no objection to make, to give its approval within a period of three months after receipt of the Company's request.

B. Lands belonging to the Government, of which use is being made, and which the Company shall need, shall be requested of the Government in the manner prescribed in the preceding paragraph, and the Government, in case it should not itself need these lands and should have no objection to make, shall give, within a period of three months, its approval to the sale asked for by the Company.

The price of these lands shall be paid by the Company ; such price must be reasonable and not exceed the current price of lands of the same kind and utilized in the same manner in the district.

C. In the absence of a reply from the Government to requests under paragraphs A and B above, after the expiry of two months from the date of receipt of the said requests, a reminder shall be sent by the Company to the Government ; should the Government fail to reply to such reminder within a period of one month, its silence shall be regarded as approval.

D. Lands which do not belong to the Government and which are necessary to the Company shall be acquired by the Company, by agreement with the parties interested, and through the medium of the Government.

In case agreement should not be reached as to the prices, the Government shall not allow the owners of such lands to demand a price higher than the prices commonly current for neighbouring lands of the same nature. In valuing such lands, no regard shall be paid to the use to which the Company may wish to put them.

E. Holy places and historical monuments, as well as all places and sites of historical interest, are excluded from the foregoing provisions, as well as their immediate surroundings for a distance of at least two hundred metres.

F. The Company has the non-exclusive right to take within the territory of the Concession, but not elsewhere, on any unutilized land belonging to the State, and to utilize gratuitously for all the operations of the Company, any kinds of soil, sand, lime, gypsum, stone and other building materials. It is understood that if the utilization of the said materials were prejudicial to any rights

whatever of third parties, the Company should indemnify those whose rights were infringed.

Article 5

The operations of the Company in Persia shall be restricted in the following manner :

(1) The construction of any new railway line and of any new port shall be subject to a previous agreement between the Government and the Company.

(2) If the Company wishes to increase its existing service of telephones, telegraphs, wireless and aviation in Persia, it shall only be able so to do with the previous consent of the Government.

If the Government requires to utilize the means of transport and communication of the Company for national defence or in other critical circumstances, it undertakes to impede as little as possible the operations of the Company, and to pay it fair compensation for all damages caused by the utilization above mentioned.

Article 6

A. The Company is authorized to effect, without special license, all imports necessary for the exclusive needs of its employees on payment of the Custom duties and other duties and taxes in force at the time of importation.

The Company shall take the necessary measures to prevent the sale or the handing over of products imported to persons not employed by the Company.

B. The Company shall have the right to import, without special license, the equipment, material, medical and surgical instruments and pharmaceutical products, necessary for its dispensaries and hospitals in Persia, and shall be exempt in respect thereof from any Custom duties and other duties and taxes in force at the time of importation, or payments of any nature whatever to the Persian State or to local authorities.

C. The Company shall have the right to import, without any license and exempt from any Custom duties and from any taxes or payments of any nature whatever to the Persian State or to local authorities, anything necessary exclusively for the operations of the Company in Persia.

D. The exports of petroleum shall enjoy Customs immunity and shall be exempt from any taxes or payments of any nature whatever to the Persian State or to local authorities.

Article 7

A. The Company and its employees shall enjoy the legal protection of the Government.

B. The Government shall give, within the limits of the laws and regulations of the country, all possible facilities for the operations of the Company in Persia.

C. If the Government grants concessions to third parties for the purpose of exploiting other mines within the territory of the Concession, it must cause the necessary precautions to be taken in order that these exploitations do not cause any damage to the installations and works of the Company.

D. The Company shall be responsible for the determination of dangerous zones for the construction of habitations, shops and other buildings, in order that the Government may prevent the inhabitants from settling there.

Article 8

The Company shall not be bound to convert into Persian currency any part whatsoever of its funds, in particular any proceeds of the sale of its exports from Persia.

Article 9

The Company shall immediately make its arrangements to proceed with its operations in the province of Kermanshah through a subsidiary company with a view to producing and refining petroleum there.

Article 10

I. The sums to be paid to the Government by the Company in accordance with this Agreement (besides those provided in other articles) are fixed as follows :

(a) An annual royalty, beginning on January 1st, 1933, of four shillings per ton of petroleum sold for consumption in Persia or exported from Persia ;

(b) Payment of a sum equal to twenty per cent (20 %) of the distribution to the ordinary stockholders of the Anglo-Persian Oil Company, Limited, in excess of the sum of six hundred and seventy-one thousand two hundred and fifty pounds sterling (£ 671,250), whether that distribution be made as dividends for any one year or whether it relates to the reserves of that Company, exceeding the reserves which, according to its books, existed on December 31st, 1932 ;

(c) The total amount to be paid by the Company for each calendar (Christian) year under sub-clauses (a) and (b) shall never be less than seven hundred and fifty thousand pounds sterling (£750,000).

II. Payments by the Company under this Article shall be made as follows :

(a) On March 31st, June 30th, September 30th and December 31st of each year, on each occasion one hundred and eighty-seven thousand five hundred pounds sterling (£187,500) (the payment relating to March 31st, 1933, shall be made immediately after the ratification of the present Agreement) ;

(b) On February 28th, 1934, and thereafter on the same date in each year, the amount of the tonnage royalty for the previous year provided for in sub-clause I (a) less the sum of seven hundred and fifty thousand pounds sterling (£750,000), already paid under sub-clause II (a) ;

(c) Any sums due to the Government under sub-clause I (b) of this article shall be paid simultaneously with any distributions to the ordinary stockholders.

III. On the expiration of this Concession, as well as in the case of surrender by the Company under Article 25, the Company shall pay to the Government a sum equal to twenty per cent (20 %) of :

(a) The surplus difference between the amount of the reserves (General Reserve) of the Anglo-Persian Oil Company, Limited, at the date of the expiration of the Concession or of its surrender, and the amount of the same reserves at December 31st, 1932 ;

(b) The surplus difference between the balance carried forward by the Anglo-Persian Oil Company, Limited, at the date of the expiration of the Concession or of its surrender and the balance carried forward by that Company at December 31st, 1932. Any payment due to the Government under this clause shall be made within a period of one month from the date of the general meeting of the Company following the expiration or the surrender of the Concession.

IV. The Government shall have the right to check the returns relating to sub-clause I (a) which shall be made to it at latest on February 28th for the preceding year.

V. To secure the Government against any loss which might result from fluctuations in the value of English currency, the parties have agreed as follows :

(a) If, at any time, the price of gold in London exceeds six pounds sterling per ounce (ounce troy), the payments to be made by the Company in accordance with the present Agreement (with the exception of sums due to the Government under sub-clause I (b) and clause III (a) and (b) of this article and sub-clause I (a) of Article 23) shall be increased by one thousand four hundred and fortieth part ($\frac{1}{1440}$) for each penny of increase of the price of gold above six pounds sterling (£6) per ounce (ounce troy) on the due date of the payments ;

(b) If, at any time, the Government considers that gold has ceased to be the general basis of values and that the payments above mentioned no longer give it the security which is intended by the parties, the parties shall come to an agreement as to a modification of the nature of the security above mentioned or, in default of such an arrangement, shall submit the question to the Arbitration Court (Article 22) which shall decide whether the security provided in sub-clause (a) above ought to be altered and if so, shall settle the provisions to be substituted therefor and shall fix the period to which such provisions shall apply.

VI. In case of a delay, beyond the dates fixed in the present Agreement, which might be made by the Company in the payment of sums due by it to the Government, interest at five per cent (5 %) per annum shall be paid for the period of delay.

Article II

I. The Company shall be completely exempt, for its operations in Persia, for the first thirty years, from any taxation present or future of the State and of local authorities ; in consideration therefor the following payments shall be made to the Government :

(a) During the first fifteen years of this Concession, on February 28th of each year and, for the first time, on February 28th, 1934, nine pence for each of the first six million (6,000,000) tons of petroleum, on which the royalty provided for in Article 10, I (a), is payable for the preceding calendar (Christian) year, and six pence for each ton in excess of the figure of six million (6,000,000) tons above defined ;

(b) The Company guarantees that the amount paid under the preceding sub-clause shall never be less than two hundred and twenty-five thousand pounds sterling (£225,000) ;

(c) During the fifteen years following, one shilling for each of the first six million (6,000,000) tons of petroleum, on which

the royalty provided for in Article 10, I (a), is payable for the preceding calendar year, and nine pence for each ton in excess of the figure of 6,000,000 tons above defined.

(d) The Company guarantees that the amount paid under the preceding sub-clause (c) shall never be less than three hundred thousand pounds sterling (£300,000).

II. Before the year 1963, the parties shall come to an agreement as to the amounts of the annual payments to be made, in consideration of the complete exemption of the Company for its operations in Persia from any taxation of the State and of local authorities, during the second period of thirty years extending until December 31st, 1993.

Article 12

A. The Company, for its operations in Persia in accordance with the present Agreement, shall employ all means customary and proper to ensure economy in and good returns from its operations, to preserve the deposits of petroleum and to exploit its Concession by methods in accordance with the latest scientific progress.

B. If, within the territory of the Concession, there exist other mineral substances than petroleum or woods and forests belonging to the Government, the Company may not exploit them in accordance with the present Concession, nor object to their exploitation by other persons (subject to the due compliance with the terms of clause C of Article 7); but the Company shall have the right to utilize the said substances or the woods and forests above mentioned if they are necessary for the exploration or the extraction of petroleum.

C. All boreholes which, not having resulted in the discovery of petroleum, produce water or precious substances, shall be reserved for the Government which shall immediately be informed of these discoveries by the Company, and the Government shall inform the Company as soon as possible if it wishes to take possession of them. If it wishes to take possession, it shall watch that the operations of the Company be not impeded.

Article 13

The Company undertakes to send, at its own expense and within a reasonable time, to the Ministry of Finance, whenever the representative of the Government shall request it, accurate copies of all plans, maps, sections and any other data whether topographical, geological or of drilling relating to the territory of the Concession, which are in its possession.

Furthermore, the Company shall communicate to the Government throughout the duration of the Concession all important scientific and technical data resulting from its work in Persia.

All these documents shall be considered by the Government as confidential.

Article 14

A. The Government shall have the right to cause to be inspected at its wish, at any reasonable time, the technical activity of the Company in Persia, and to nominate for this purpose technical specialist experts.

B. The Company shall place at the disposal of the specialist experts nominated to this end by the Government, the whole of its records relative to scientific and technical data, as well as all measuring apparatus and means of measurement, and these specialist experts shall, further, have the right to ask for any information in all the offices of the Company and on all the territories in Persia.

Article 15

The Government shall have the right to appoint a representative who shall be designated "Delegate of the Imperial Government". This representative shall have the right :

(1) To obtain from the Company all the information to which the stockholders of the Company are entitled ;

(2) To be present at all the meetings of the Board of Directors, of its committees and at all the meetings of stockholders, which have been convened to consider any question arising out of the relations between the Government and the Company ;

(3) To preside *ex officio*, with a casting vote, over the Committee to be set up by the Company for the purpose of distributing the grant for and supervising the professional education in Great Britain of Persian nationals referred to in Article 16 ;

(4) To request that special meetings of the Board of Directors be convened at any time, to consider any proposal that the Government shall submit to it. These meetings shall be convened within fifteen days from the date of the receipt by the Secretary of the Company of a request in writing to that end.

The Company shall pay to the Government to cover the expenses to be borne by it in respect of the salary and expenses of the above-mentioned delegate a yearly sum of two thousand pounds sterling (£2,000). The Government shall notify the Company in writing of the appointment of this delegate and of any changes in such appointment.

Article 16

I. Both parties recognize and accept as the principle governing the performance of this Agreement the supreme necessity, in their mutual interest, of maintaining the highest degree of efficiency and of economy in the administration and the operations of the Company in Persia.

II. It is, however, understood that the Company shall recruit its artisans as well as its technical and commercial staff from among Persian nationals to the extent that it shall find in Persia persons who possess the requisite competence and experience. It is likewise understood that the unskilled staff shall be composed exclusively of Persian nationals.

III. The parties declare themselves in agreement to study and prepare a general plan of yearly and progressive reduction of the non-Persian employees with a view to replacing them in the shortest possible time and progressively by Persian nationals.

IV. The Company shall make a yearly grant of ten thousand pounds sterling in order to give in Great Britain to Persian nationals the professional education necessary for the oil industry.

The said grant shall be expended by a Committee which shall be constituted as provided in Article 15.

Article 17

The Company shall be responsible for organizing and shall pay the cost of the provision, control and upkeep of sanitary and public health services, according to the requirements of the most modern hygiene practised in Persia, on all the lands of the Company and in all buildings, and dwellings, destined by the Company for the use of its employees, including the workmen employed within the territory of the Concession.

Article 18

Whenever the Company shall make issues of shares to the public, the subscription lists shall be opened at Teheran at the same time as elsewhere.

Article 19

The Company shall sell for internal consumption in Persia, including the needs of the Government, motor spirit, kerosene and fuel oil, produced from Persian petroleum, on the following basis :

(a) On the first of June in each year, the Company shall ascertain the average Roumanian f.o.b. prices for motor spirit,

kerosene and fuel oil and the average Gulf of Mexico f.o.b. prices for each of these products during the preceding period of twelve months ending on April 30th. The lowest of these average prices shall be selected. Such prices shall be the "basic prices" for a period of one year, beginning on June 1st. The "basic prices" shall be regarded as being the prices at the refinery.

(b) The Company shall sell (1) to the Government for its own needs, and not for resale, motor spirit, kerosene and fuel oil at the basic prices, provided in sub-clause (a) above, with a deduction of twenty-five per cent (25 %); (2) to other consumers at the basic prices with a deduction of ten per cent (10 %).

(c) The Company shall be entitled to add to the basic prices mentioned in sub-clause (a), all actual costs of transport and of distribution and of sale, as well as any imposts and taxes on the said products.

(d) The Government shall forbid the export of the petroleum products sold by the Company under the provisions of this article.

Article 20

I. (a) During the last ten years of the Concession, or during the two years from the notice preceding the surrender of the Concession provided in Article 25, the Company shall not sell or otherwise alienate, except to subordinate companies, any of its immovable properties in Persia. During the same period, the Company shall not alienate or export any of its movable property whatever except such as has become unutilizable.

(b) During the whole of the period preceding the last ten years of the Concession, the Company shall not alienate any land obtained by it gratuitously from the Government; it shall not export from Persia any movable property, except in the case when such property shall have become unutilizable or shall be no longer necessary for the operations of the Company in Persia.

II. At the end of the Concession, whether by expiration of time or otherwise, all the property of the Company in Persia shall become the property of the Government in proper working order and free of any expenses and of any encumbrances.

III. The expression "all the property" comprises all the lands, buildings and workshops, constructions, wells, jetties, roads, pipelines, bridges, drainage and water-supply systems, engines, installations and equipments (including tools) of any sort, all means of transport and communication in Persia (including, for example, automobiles, carriages, aeroplanes), any stocks and any other

objects in Persia which the Company is utilizing in any manner whatsoever for the objects of the Concession.

Article 21

The contracting parties declare that they base the performance of the present Agreement on principles of mutual goodwill and good faith as well as on a reasonable interpretation of this Agreement.

The Company formally undertakes to have regard at all times and in all places to the rights, privileges and interests of the Government and shall abstain from any action or omission which might be prejudicial to them.

This Concession shall not be annulled by the Government and the terms therein contained shall not be altered either by general or special legislation in the future, or by administrative measures or any other acts whatever of the executive authorities.

Article 22

A. Any differences between the parties of any nature whatever and in particular any differences arising out of the interpretation of this Agreement and of the rights and obligations therein contained as well as any differences of opinion which may arise relative to questions for the settlement of which, by the terms of this Agreement, the agreement of both parties is necessary, shall be settled by arbitration.

B. The party which requests arbitration shall so notify the other party in writing. Each of the parties shall appoint an arbitrator, and the two arbitrators, before proceeding to arbitration, shall appoint an umpire. If the two arbitrators cannot, within two months, agree on the person of the umpire, the latter shall be nominated, at the request of either of the parties, by the President of the Permanent Court of International Justice. If the President of the Permanent Court of International Justice belongs to a nationality or a country which, in accordance with clause C, is not qualified to furnish the umpire, the nomination shall be made by the Vice-President of the said Court.

C. The umpire shall be of a nationality other than Persian or British; furthermore, he shall not be closely connected with Persia or with Great Britain as belonging to a dominion, a protectorate, a colony, a mandated country or other country administered or occupied by one of the two countries above mentioned or as being or having been in the service of one of these countries.

D. If one of the parties does not appoint its arbitrator or does not advise the other party of its appointment, within sixty days of having received notification of the request for arbitration, the

other party shall have the right to request the President of the Permanent Court of International Justice (or the Vice-President in the case provided at the end of clause B) to nominate a sole arbitrator, to be chosen from among persons qualified as above mentioned, and, in this case, the difference shall be settled by this sole arbitrator.

E. The procedure of arbitration shall be that followed, at the time of arbitration, by the Permanent Court of International Justice. The place and time of arbitration shall be fixed by the umpire or by the sole arbitrator provided for in clause D, as the case may be.

F. The award shall be based on the juridical principles contained in Article 38 of the Statutes of the Permanent Court of International Justice. There shall be no appeal against the award.

G. The expenses of arbitration shall be borne in the manner determined by the award.

Article 23

I. In full settlement of all the claims of the Government of any nature in respect of the past until the date of coming into force of this Agreement (except in regard to Persian taxation), the Company: (a) shall pay within a period of thirty days from the said date the sum of one million pounds sterling (£1,000,000) and, besides, (b) shall settle the payments due to the Government for the financial years 1931 and 1932 on the basis of Article 10 of this Agreement and not on that of the former D'Arcy Concession, after deduction of two hundred thousand pounds sterling (£200,000) paid in 1932 to the Government as an advance against the royalties and £113,403 3s. 10d. placed on deposit at the disposal of the Government.

II. Within the same period, the Company shall pay to the Government in full settlement of all its claims in respect of taxation for the period from March 21st, 1930, to December 31st, 1932, a sum calculated on the basis of sub-clause (a) of clause I of Article 11, but without the guarantee provided in sub-clause (b) of the same clause.

Article 24

If, by reason of the annulment of the D'Arcy Concession, litigation should arise between the Company and private persons on the subject of the duration of leases made in Persia before December 1st, 1932, within the limits allowed by the D'Arcy Concession, the litigation shall be decided according to the rules of interpretation following :

(a) If the lease is to terminate, according to its terms, at the end of the D'Arcy Concession, it shall retain its validity until May 28th, 1961, notwithstanding the annulment of the said Concession ;

(b) If it has been provided in the lease that it shall be valid for the duration of the D'Arcy Concession and, in the event of its renewal, for the duration of the renewed Concession, the lease shall retain its validity until December 31st, 1993.

Article 25

The Company shall have the right to surrender this Concession at the end of any Christian calendar year, on giving to the Government notice in writing two years previously.

On the expiry of the period above provided, the whole of the property of the Company in Persia (defined in Article 20, III) shall become free of cost and without encumbrances the property of the Government in proper working order and the Company shall be released from any engagement for the future. In case there should be disputes between the parties concerning their engagements before the expiry of the period above provided, the differences shall be settled by arbitration as provided in Article 22.

Article 26

This Concession is granted to the Company for the period beginning on the date of its coming into force and ending on December 31st, 1993.

Before the date of December 31st, 1993, this Concession can only come to an end in the case that the Company should surrender the Concession (Article 25) or in the case that the Arbitration Court should declare the Concession annulled as a consequence of default of the Company in the performance of the present Agreement.

The following cases only shall be regarded as default in that sense :

(a) If any sum awarded to Persia by the Arbitration Court has not been paid within one month of the date of the award ;

(b) If the voluntary or compulsory liquidation of the Company be decided upon.

In any other cases of breach of the present Agreement by one party or the other, the Arbitration Court shall establish the responsibilities and determine their consequences.

Any transfer of the Concession shall be subject to confirmation by the Government.

Article 27

This Agreement shall come into force after ratification by the Majlis and promulgation by Decree of His Imperial Majesty the Shah. The Government undertakes to submit this Agreement, as soon as possible, for ratification by the Majlis.

MADE at Teheran the twenty-ninth April one thousand nine hundred and thirty-three.

For the Imperial Government of Persia,
(Signed) S. H. TAQIZADEH.

For and on behalf of the Anglo-Persian Oil Company, Limited,
(Signed) John CADMAN, *Chairman*;
W: FRASER, *Deputy Chairman*.

(This Agreement came into force on May 29th, 1933, following its ratification by the Majlis on May 28th, 1933, and the Royal Assent, given on May 29th, 1933.)

ANNEX B

LETTER FROM THE CHIEF REPRESENTATIVE OF THE
ANGLO-IRANIAN OIL COMPANY, LIMITED, IN TEHRAN,
TO THE PRIME MINISTER OF IRAN,
PROTESTING AGAINST THE RESOLUTION OF THE MAJLIS OIL COMMITTEE
IN FAVOUR OF NATIONALIZING THE OIL INDUSTRY

Tehran, 28th April, 1951.

[The text of the letter given here is the text which the Chief Representative of the Anglo-Iranian Oil Company, Limited, in Tehran, was instructed to send. A copy of the letter as sent by him has not yet been received in London.]

Your Excellency,

The press of to-day contains a statement that the Oil Committee has passed a resolution for submission to the Majlis proposing to take over immediately all the activities in Persia of the Anglo-Iranian Oil Company.

If that information is correct we beg to ask you to convey to the Cabinet and to the Majlis that this Company formally protests against the possibility of such a breach of the Agreement between the Imperial Government and the Company.

The Agreement as you well know provides in its Article 21 that its performance should be based on principles of mutual good will and good faith and that it should not be annulled and that the terms of it should not be altered by any legislative, administrative or executive acts.

Relying on that solemn promise which was approved by the Majlis and which became a part of the law of Iran, this Company has worked for eighteen years to develop the oil industry in Iran and has assisted the people of Iran in their economic progress. We cannot believe that that solemn promise can be disregarded.

While formally protesting against attempts unilaterally to alter the conditions of its operations in Iran, the Company begs to remind Your Excellency that at no time has the Company refused, nor do they refuse now, to consider alteration of those conditions by agreement to be negotiated, concluded and performed on the principles of mutual good will and good faith, which principles the Imperial Government and the Company made the basis of their co-operation.

ANNEX C

TEXT OF THE IRANIAN OIL NATIONALIZATION ACT
OF THE 1st MAY, 1951

[*Translation*]

By the grace of Almighty God,

We,

Pahlavi Shahinshah of Persia,

hereby command, by virtue of Article 27 of the
Supplementary Constitutional Law, that :

Art. 1. The Bill concerning the procedure for enforcement of the Law concerning the nationalization of the oil industry throughout the country which was approved by the Senate and the Majlis on 9th Urdibihisht (30th April) and is hereto attached may be enforced.

Art. 2. The Council of Ministers are charged with the enforcement of this Law.

The text of the Bill concerning procedure for enforcement of the Law relating to the nationalization of oil, as approved by the two Houses of Parliament after amendments by the Majlis.

Art. 1. With a view to arranging the enforcement of the Law of 24 and 29 Isfand 1329 (15th and 20th March, 1951) concerning the nationalization of the oil industry throughout Persia, a mixed Board composed of 5 Senators and 5 Deputies elected by each of the two Houses and of the Minister of Finance or his deputy shall be formed.

Art. 2. The Government is bound to dispossess at once the former Anglo-Iranian Oil Company under the supervision of the mixed Board. If the Company refused to hand over at once on the grounds of existing claims on the Government, the Government can, by mutual agreement, deposit in the bank Milli Iran or in any other bank up to 25 % of current revenue from the oil after deduction of exploitation expenses in order to meet the probable claims of the Company.

Art. 3. The Government is bound to examine the rightful claims of the Government as well as the rightful claims of the Company under the supervision of the mixed Board and to submit its suggestions to the two Houses of Parliament in order that the same may be implemented after approval by the two Houses.

Art. 4. Whereas, with effect from 29th Isfand 1329 (20th March, 1951), when nationalization of the oil industry was sanctioned also by the Senate, the entire revenue derived from oil and its products is indisputably due to the Persian nation, the Government is bound to audit the Company's accounts under the supervision of the mixed Board which must also closely supervise exploitation as from the date of the implementation of this law until the appointment of an executive body.

Art. 5. The mixed Board must draw up, as soon as possible, the statute of the National Oil Company in which provision is to be made for the setting up of an executive body and a supervisory body of experts, and must submit the same to the two Houses for approval.

Art. 6. For the gradual replacement of foreign experts by Persian experts the mixed Board is bound to draw up regulations for sending, after competitive examinations, a number of students each year to foreign countries to undertake study in the various branches of required knowledge and gain experience in oil industries, the said regulations to be carried out by the Ministry of Education, after the approval of the Council of Ministers. The expenses connected with the study of such students shall be met out of oil revenues.

Art. 7. All purchasers of products derived from the wells taken back from the former Anglo-Iranian Oil Company can, in future, buy annually the same quantity of oil they used to buy annually from the Company from the beginning of the Christian year 1948 up to 29th Isfand 1329 (20th March, 1951) at a reasonable international price. For any surplus quantity they shall have priority in the event of equal terms of purchase being offered.

Art. 8. All proposals formulated by the mixed Board for the approval of the Majlis and submission to the Majlis must be sent to the Oil Committee.

Art. 9. The mixed Board must finish its work within three months as from the date of approval of this law and must submit the report of its activities to the Majlis in accordance with Article 8. In the event of requiring an extension it must apply giving valid reasons for such extension. Whilst, however, the extension is before the two Houses for approval the mixed Board can continue its functions.

ANNEX D

LETTER FROM THE CHIEF REPRESENTATIVE
OF THE ANGLO-IRANIAN OIL COMPANY, LIMITED,
TO THE PRIME MINISTER OF IRAN,

REQUESTING THAT ITS DIFFERENCE WITH THE IMPERIAL GOVERNMENT OF IRAN BE SUBMITTED TO ARBITRATION, IN ACCORDANCE WITH THE TERMS OF ARTICLE 22 OF THE CONVENTION

Tehran, 8th May, 1951.

Your Excellency,

I am instructed by Sir William Fraser, Chairman of the Anglo-Iranian Oil Company, Limited, to submit to you the following notification on his behalf :

“Your Excellency,

The measures recently introduced in respect of the Oil Industry in Iran clearly have the object of either bringing the Concession held by the Anglo-Iranian Oil Company, Limited, to an end, or annulling it before the date provided therein for its termination, by a unilateral act of the Imperial Iranian Government in breach of Articles 26 and 21 of the Concession Agreement or unilaterally altering the terms therein contained in breach of Articles 21 and 1 of that Agreement.

Therefore I, on behalf of the Company and in accordance with the rights reserved to it by Articles 22 and 26 of the Concession Agreement, beg to notify the Government that the Company requests arbitration for the purpose of determining whether in so attempting to annul, or terminate the Concession or to alter the Concession Agreement, the Government has acted in accordance with the terms of the Concession Agreement and for the purpose of establishing the responsibility for determining the consequences of the breach above referred to.

I further beg to state that the Company has appointed the Right Honourable Lord Radcliffe, G.B.E., as its arbitrator and that he has given his consent to act.

Finally, the Company, in view of the gravity of the situation brought about by the measures above referred to, expresses the hope that the Government will appoint its arbitrator at the Government's earliest convenience.”

I shall be glad if Your Excellency will kindly acknowledge receipt of the above notification from Sir William Fraser.

With the assurance, etc.

For ANGLO-IRANIAN OIL Co., LTD.,
(Signed) N. R. SEDDON.

Copy to H.E. the Minister of Finance.

ANNEX E

LETTER FROM THE IRANIAN MINISTER OF FINANCE
TO MR. SEDDON, REPRESENTATIVE OF THE FORMER
ANGLO-IRANIAN OIL COMPANY, DATED 20th MAY, 1951¹
[Translation]

Mr. Representative of the former Anglo-Iranian Oil Company :

His Excellency the Prime Minister has instructed me to convey the following reply to your letter No. 22/29619 dated 8th May, 1951, addressed to him :

In accordance with the Acts of 15th and 20th March, 1951, and 30th April, 1951, copies of which are enclosed herewith, the petroleum industry throughout Iran has been nationalized, and the Imperial Government is required to undertake itself the exploration for and production, refining and exploitation of petroleum resources.

It perhaps needs no explanation that :

FIRSTLY : the nationalization of industries derives from the right of sovereignty of nations, and other governments, among them the British Government and the Mexican Government, have in various instances availed themselves of this same right.

SECONDLY private agreements, even supposing their validity is established, cannot hinder the exercise of this right which is founded on the indisputable principles of international law :

THIRDLY the fact of nationalization of the petroleum industry, which derives from the exercise of the right of sovereignty of the Iranian nation, is not referable to arbitration, and no international authority has the competence to deal with this matter.

In view of these premises the Iranian Government has no duty in the existing circumstances other than implementing the articles of the above-mentioned Acts and does not agree in any way with the contents of the letter of the former Oil Company on the subject of reference of the matter to arbitration.

You are meanwhile notified that, in accordance with Articles 2 and 3 of the Act of April 1951, the Iranian Government is prepared to examine the just claims of the former Oil Company.

In conclusion, the former Oil Company is hereby invited to nominate immediately its representatives with a view to making arrangements concerning the matter and carrying out the above-mentioned law, so that the day, hour and place of their attendance should be notified.

(Signed) MOHAMMED ALI VARASTEH,
Minister of Finance.

¹ The annex printed here represents the text as amended by the United Kingdom Government following an exchange of letters between the Parties. (See Part IV.)

ANNEX F

NOTE DELIVERED BY HIS BRITANNIC MAJESTY'S
AMBASSADOR IN TEHRAN TO THE PRIME MINISTER
OF IRAN ON THE 19th MAY, 1951

[The text given here is the instruction sent by the Secretary of State for Foreign Affairs to Sir Francis Shepherd, British Ambassador in Tehran, on the basis of which the note actually delivered by the Ambassador would be drafted. A copy of the note as delivered by him has not yet been received in London but is unlikely to differ in any point of substance from the instruction.]

I have received through His Imperial Majesty's Ambassador in London your reply to the message which I sent to you through him on May 2nd. I regret to find that it contains no response to the suggestion which I made, and which I have since reaffirmed publicly, that His Majesty's Government in the United Kingdom wish to see the question of the future operations of the Anglo-Iranian Oil Company in Iran settled by negotiation, but instead appears to assert a right by the Imperial Government of Iran to proceed by unilateral action to dispossess the Anglo-Iranian Oil Company.

His Majesty's Government fully understand and sympathize with the desire of the Iranian Government to strengthen the economic structure of their country and to provide for the general welfare of its people. They themselves have constantly shown in practical ways that these objects are of deep concern to them. They find it difficult to believe, however, that the unilateral action which the Iranian Government are proposing to take will contribute towards their fulfilment.

His Majesty's Government, moreover, neither desire nor intend to question the exercise by Iran of any sovereign rights which she may legitimately exercise. They maintain, however, that the action now proposed against the Company is not a legitimate exercise of those rights. The 1933 Agreement is a contract between the Persian Government and a foreign Company concluded under the auspices of the League of Nations after an attempt by the Iranian Government to deprive the Company of these rights under its previous Concession had been brought by His Majesty's Government before the League of Nations. It was, moreover, ratified by the Majlis and became Persian law. Further, the Agreement contains two very important provisions :

(a) That the position of the Company under its agreement shall never be altered by action of the Iranian Government or even by Iranian legislation (Article 21) except as the result of an agreement between the Company and the Iranian Government ;

(b) that if the Iranian Government had any complaint against the Company or vice versa and the dispute could not be settled otherwise, it was to be referred to arbitration (Article 22), the arbitral tribunal being presided over by an umpire appointed by the Arbitrators themselves or, in default of their agreement, by the President of the International Court of Justice at The Hague.

The essential point is not the right of a sovereign power by its legislation to nationalize commercial enterprises carried on within its borders nor what is the measure of compensation it should pay for doing so. The essential point is that the Persian Government in effect undertook not to exercise this right and the real issue is therefore the wrong done if a sovereign State breaks a contract which it has deliberately made.

If, as Your Excellency claims, the Iranian Government has grievances against the Company, their remedy, as I have shown above, was to seek arbitration. That course has not been adopted. Instead, the Iranian Parliament have enacted a law which envisages a fundamental change in the status of the Company. The Company therefore had no alternative but to make known to the Iranian Government its wish to take the whole matter to arbitration.

The Anglo-Iranian Oil Company is a British Company registered in the United Kingdom ; moreover, His Majesty's Government own a majority of the shares in the Company. It is clear, therefore, that His Majesty's Government have the fullest right to protect its interest in every way they properly can. The Company has had its valuable rights established under the Agreement injuriously affected by an Iranian enactment when Article 21 provided that this should not be so. The Company has appealed to the only remedy which is open to it, namely, arbitration under Article 22. If that remedy should be rendered illusory by the Iranian Government, then the question must become an issue between the two Governments. His Majesty's Government would have an unanswerable right under international law to take up the case, and, if they deemed it expedient, to bring their complaint against the Iranian Government before the International Court of Justice at The Hague. In that contingency they would hope that the Iranian Government would collaborate in enabling the Court to give a decision as quickly as possible.

On the other hand, His Majesty's Government still hope that the problem can be solved by negotiation to the satisfaction of all concerned. The interests of His Majesty's Government and the Anglo-Iranian Oil Company in this matter are identical, and I take

this opportunity to reaffirm that His Majesty's Government are prepared to send a mission forthwith to Tehran to discuss the terms of a new agreement. I earnestly trust that Your Excellency will be prepared to agree to this procedure and to conduct negotiations with a mission on a fair and equitable basis.

In conclusion, I note that Your Excellency has reciprocated the desire which I have already expressed to you of maintaining good relations and strengthening the foundation of friendship between Iran and the United Kingdom. I should, however, be less than frank if I did not say that a refusal on the part of the Iranian Government to negotiate, or any attempt on their part to proceed by a unilateral action to the implementation of the recent legislation, could not fail gravely to impair those friendly relations which we both wish to exist and to have the most serious consequences.

ANNEX G

LETTER FROM THE IRANIAN MINISTER OF FINANCE TO
MR. SEDDON, REPRESENTATIVE OF THE FORMER
ANGLO-IRANIAN OIL COMPANY, DATED 24th MAY, 1951
[Translation]

Mr. Representative of the former Anglo-Iranian Oil
Company,

With reference to my letter 9582 of the 20th May, since you have not, so far, nominated your representatives for making arrangements to execute the laws for the nationalization of oil, I have to state :

I am waiting every day in the Finance Ministry for your representatives.

Should you fail to nominate and send your representatives within one week, that is before the close of the 30th May, which is a Wednesday, the Government will have no choice but to act according to its legal duties as prescribed in the laws of the 15th March and the 20th March and that of the 30th April, 1951.

(Signed) MOHAMMED ALI VARASTEH,
Minister of Finance.
