

No. 9037

UNION OF SOVIET SOCIALIST REPUBLICS
and
IRAN

Agreement on co-operation in the construction of industrial and other projects in Iran and the granting of a loan for this purpose (with annex). Signed at Moscow, on 13 January 1966

Official texts : Russian and Persian.

Registered by the Union of Soviet Socialist Republics on 19 March 1968.

UNION DES RÉPUBLIQUES SOCIALISTES
SOVIÉTIQUES
et
IRAN

Accord de coopération concernant la construction d'installations industrielles et autres en Iran et l'octroi d'un crédit à cet effet (avec annexe). Signé à Moscou, le 13 janvier 1966

Textes officiels russe et persan.

Enregistré par l'Union des Républiques socialistes soviétiques le 19 mars 1968.

[TRANSLATION — TRADUCTION]

No. 9037. AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS AND THE IMPERIAL GOVERNMENT OF IRAN ON CO-OPERATION IN THE CONSTRUCTION OF INDUSTRIAL AND OTHER PROJECTS IN IRAN AND THE GRANTING OF A LOAN FOR THIS PURPOSE. SIGNED AT MOSCOW, ON 13 JANUARY 1966

The Government of the Union of Soviet Socialist Republics and the Imperial Government of Iran,

Considering the relations of good-neighbourliness and co-operation which exist between the USSR and Iran, and

Moved by a common desire to develop further and to strengthen economic and technical co-operation based on the principles of equality, non-interference in domestic affairs and full respect for the national sovereignty of the two countries,

Have decided to conclude this Agreement as follows :

Article 1

The Union of Soviet Socialist Republics and Iran shall co-operate in the construction of :

1. A steel mill;
2. A gas pipeline;
3. A mechanical engineering plant.

A brief description of these projects is given in the annex to this Agreement, which forms an integral part of the Agreement.

Article 2

For the purposes of the co-operation provided for in article 1 of this Agreement :

1. The Soviet organizations shall :

Execute the necessary planning and exploratory work;

Deliver any equipment, machines, building machinery and materials which are unobtainable in Iran;

¹ Came into force provisionally on 13 January 1966 by signature, and definitively on 29 June 1966 by the exchange of the instruments of ratification at Teheran, in accordance with article 19.

Dispatch Soviet experts to Iran to collect initial data, execute exploratory work and geological surveys, furnish designer's supervision and advice in the construction of the projects, give technical industrial training to Iranian citizens and assist in the assembly, installation and initial operation of equipment;

Receive Iranian citizens for technical industrial training at USSR enterprises, with a view to employing them subsequently in the projects listed in article 1 of this Agreement;

Transmit to the Iranian Party the technical documentation needed to ensure the smooth operation of the projects provided for in article 1 of this Agreement.

The aforesaid technical documentation to be transmitted by the Soviet organizations to the Iranian Party shall be used by the latter solely in Iranian enterprises. Such documentation shall not be transmitted to any foreign juridical person or citizen without the prior consent of the Soviet organizations.

2. The Iranian organizations shall :

Transmit to the Soviet organizations any initial data in the possession of the Iranian Party which are needed for planning and co-operate with the Soviet organizations in the collection and preparation of other necessary data;

Review plans and, when these are acceptable, approve them within two months of their submission by the Soviet organizations;

Undertake, with the technical assistance of the Soviet organizations, the construction of the projects and the execution of the other work in accordance with the plans;

Provide manpower, electricity, water, gas, transportation and any necessary materials obtainable in Iran for the construction of the projects and the execution of the work and construct access roads, subsidiary installations and external communication lines;

Purchase in third countries, by agreement between the Parties, certain equipment and materials not manufactured in the USSR or Iran;

Arrange financing for the construction of the projects and the execution of other work and provide without charge accommodation, medical facilities, necessary services and transportation for official travel within Iran for the Soviet experts dispatched to Iran to provide technical assistance in accordance with this Agreement;

If necessary, purchase licences for technological processes and equipment, wherever these are needed.

Article 3

If the Iranian Party so desires, the Soviet organizations shall assist the Iranian organizations in the achievement of the designed capacity and the operation of the projects provided for in this Agreement, by dispatching Soviet experts and delivering spare parts and necessary materials, under the terms of a supplementary arrangement between the Parties.

Article 4

The Government of the Union of Soviet Socialist Republics shall grant the Imperial Government of Iran a loan in the amount of up to 260 million roubles (1 rouble = 0.987412 gramme of fine gold) at 2.5 per cent interest per annum to pay for the technical assistance to be provided to Iran by the Soviet organizations in the construction of the projects provided for in article 1 of this Agreement. This loan shall be used by the Imperial Government to pay for :

The planning and exploratory work to be executed by the Soviet organizations;

The equipment, machines, building machinery and materials unobtainable in Iran to be delivered from the USSR, c.i.f. Iranian ports or f.o.b. the Soviet-Iranian frontier;

The expenses incurred in connexion with the dispatch of Soviet experts to Iran to provide technical assistance in the construction of the projects provided for in this Agreement, with the exception of expenses within Iran, which are to be paid by the Iranian Party in rials;

The expenses for the subsistence in the USSR of Iranian citizens sent for technical industrial training at appropriate USSR enterprises.

If the total amount of the expenses incurred by the Soviet organizations in connexion with the provision of the technical assistance envisaged in this Agreement exceeds the amount of the loan, the amount in excess shall be paid by the Iranian Party in accordance with the trade and payments agreements in force between the USSR and Iran.

Article 5

The portions of the loan granted in accordance with this Agreement which are taken down in each calendar year shall be repaid by the Imperial Government

of Iran over the following twelve years, in equal annual instalments on or before 1 July, corresponding to 10 Tir, of the year following the year in which the relevant portion of the loan was taken down.

Interest on the loan shall accrue from the date on which the relevant portion of the loan is taken down and shall be paid during the first three months of the year following the year for which it is payable. The last payment of interest shall be made at the same time as the last payment of the principal of the loan. The date on which the loan was taken down for the purchase of equipment and materials shall be deemed to be the seventh day from the date of the bill of lading or the date of the stamp of the receiving station on the railway way-bill and the date on which it was taken down to pay for other types of work shall be deemed to be the date of the account.

Article 6

For the purpose of recording the use and repayment of the loan and for the calculation and payment of the interest on the loan granted in accordance with this Agreement, the State Bank of the USSR (or on its behalf the Bank for Foreign Trade of the USSR) and the Central Bank of Iran shall open for each other special loan accounts in roubles and shall together determine the technical procedure for the settlement and management of the loan accounts.

Article 7

In the event of a change in the gold content of the rouble referred to in article 4 of this Agreement, the State Bank of the USSR (or on its behalf the Bank for Foreign Trade of the USSR) and the Central Bank of Iran shall adjust the balances in the loan accounts opened in accordance with article 6 of this Agreement, on the date of the change in the gold content of the rouble and in the proportion equivalent to such change. The amount of the unused loan shall be adjusted in the same manner.

Article 8

The repayment of the loan and the payment of interest accrued thereon shall be effected by the Iranian Party by the deposit of Iranian rials (1 Iranian rial = 0.0117316 gramme of fine gold) in a separate account to be opened in the Central Bank of Iran in the name of the State Bank of the USSR (or on its behalf the Bank for Foreign Trade of the USSR). The conversion of roubles into rials shall be effected on the basis of the gold value of the rouble and the rial on the day of payment.

The sums deposited in this account shall be used for the purchase of goods in accordance with the terms of the trade and payments agreements in force

between the USSR and Iran and, in the first place, for the purchase of gas, cotton, untreated wool, ores of non-ferrous metals, caviar, fish of the sturgeon species, astrakhan, small hides, rice, raisins, oil cake and certain industrial goods and for other payments by the Soviet organizations and may, at the request of the Bank for Foreign Trade of the USSR, be converted into a freely convertible currency. The conversion of rials into a freely convertible currency shall be effected on the basis of the parity of the Iranian rial and the freely convertible currency concerned on the day of payment. Such purchases shall be over and above the quotas provided for in the trade agreement in force between the USSR and Iran.

In the event of a change in the gold content of the Iranian rial, the State Bank of the USSR (or on its behalf the Bank for Foreign Trade of the USSR) and the Central Bank of Iran shall make the necessary adjustment in the balance in the separate account provided for in this article, on the day on which the change in the gold content of the Iranian rial occurs.

The Imperial Government of Iran shall have the right to repay the loan and the interest accrued thereon ahead of time.

Article 9

The Imperial Government of Iran shall reimburse the Soviet Party the expenses incurred by the Soviet organizations for the subsistence of Soviet experts in Iran in Iranian rials, by entering the amounts concerned in the separate account provided for in article 8 of this Agreement.

Article 10

The Soviet organizations may, in the execution of the planning work, the delivery of equipment and materials and the provision of other kinds of technical assistance by the Soviet party, co-operate with appropriate organizations in third countries. If, however, experts are to be dispatched from these countries to Iran, the Soviet organizations shall first obtain the consent of the Iranian party.

Article 11

The Government of the USSR and the Imperial Government of Iran shall inform each other, as soon as possible after the signing of this Agreement, which Soviet and Iranian organizations, respectively, will be designated to implement this Agreement. The aforesaid Governments may designate one or more organizations. Each of the Parties shall have the right to change the organizations designated to implement the Agreement in accordance with this article and to notify the other Party.

Both Governments reserve the right to transfer all or part of the rights and obligations deriving from this Agreement to such Soviet and Iranian organizations as are considered appropriate by the Government concerned.

Article 12

The Soviet and Iranian organizations designated to implement this Agreement shall provide each other with any information and assistance which may reasonably be requested by each of the Parties in connexion with this Agreement and the contracts concluded under it and, in particular, shall provide each other with particulars concerning the progress of work and other information connected with the work schedules for the construction of the projects provided for in this Agreement and the contracts concluded under it.

Article 13

The Soviet and Iranian Parties shall encourage the widest possible participation of Iranian organizations in the execution of the exploratory and planning work and in deliveries of equipment and materials for the construction of the projects provided for in this Agreement.

Article 14

The Soviet organizations shall guarantee that :

1. The project plans to be drawn up by them conform to the production capacities provided for in the annex to this Agreement and in the contracts.
2. The equipment, machinery and materials to be delivered from the USSR conform to the planning documentation mentioned above.
3. The performance of the equipment to be delivered from the USSR conforms to the output specified.

The periods of guarantee, procedure for implementing the guarantees and other conditions shall be specified in the contracts to be concluded under this Agreement.

Article 15

The execution of the planning and exploratory work, the delivery of equipment and materials, the technical industrial training of Iranian citizens and the provision of other forms of technical assistance in accordance with this Agreement shall be effected on the basis of the contracts to be concluded between the competent Soviet and Iranian organizations, designated for this purpose in

accordance with article 11 of this Agreement, and these contracts shall be examined and signed by the Parties not later than two months after the date of their submission by the Soviet organizations.

Within two or three months following the date of approval of the plans by the Iranian Party, the Soviet organizations shall submit to the Iranian organizations their tenders for the delivery of equipment, machinery and materials in the form of draft contracts.

The contracts shall specify quantities, delivery periods, prices, arrangements for the technical industrial training of Iranian citizens, penalties for delays in the performance by the Parties of their obligations and other detailed conditions for the provision to the Iranian organizations of the technical assistance provided for in this Agreement. The prices of the equipment and materials to be delivered from the USSR for the construction of the projects enumerated in article 1 of this Agreement shall, by agreement between the Parties, be determined on the basis of world market prices. In addition, the contracts shall specify the obligations of the Iranian organizations as regards collection of initial data, preparation of the construction sites, provision for the Soviet experts of housing with the necessary facilities, medical services and transportation for official travel, examination and approval of plans, recruitment of labour and other matters, and specific periods for the performance of these obligations.

Article 16

If the execution of this Agreement is interrupted for any period of time for any reason beyond the control of either Party, the representatives of the Government of the USSR and of the Imperial Government of Iran shall consult each other and agree on the necessary measures. If no understanding can be reached within an acceptable period of time, the Iranian organizations shall have the right to continue work on the construction of the projects independently. In this event, however, the rights and obligations of the Parties which were assumed under this Agreement before that time shall remain in force.

Article 17

If any disagreement arises between the Soviet and the Iranian organizations on any question connected with this Agreement or the contracts concluded under it, the representatives of the Government of the USSR and of the Imperial Government of Iran shall consult each other and endeavour to resolve the disagreement.

Article 18

Representatives of the Parties shall meet at least once every six months, at the suggestion of either of them, in order to review the progress made in the implementation of this Agreement and to prepare appropriate recommendations, if this is considered necessary. Such recommendations shall be submitted to the Governments of the Contracting Parties for study.

These meetings shall be held in Moscow and Teheran alternately.

Article 19

This Agreement shall be subject to ratification in accordance with the established procedure in each country and shall enter into force provisionally on the date of signature and finally on the date of the exchange of the instruments of ratification, which shall take place at Teheran.

DONE in Moscow, on 13 January 1966, corresponding to 23 Dey 1344, in two original copies, each in the Russian and Persian languages, the two texts being equally authentic.

For the Government
of the Union of Soviet
Socialist Republics :

S. SKACHKOV

For the Imperial Government
of Iran :

A. ALIKHANI

ANNEX

LIST OF PROJECTS TO BE CONSTRUCTED IN IRAN THROUGH CO-OPERATION
BETWEEN THE SOVIET AND IRANIAN ORGANIZATIONS1. *Steel mill*

(a) A mill with a complete metallurgical cycle and an annual capacity of 500,000-600,000 tons of steel (which may be increased to 1-1.2 million tons) including :

- A by-product coke shop with one battery of coke ovens;
- A sintering plant;
- A blast-furnace plant with one blast furnace;
- A steel foundry with two converters and units for continuous steel casting;

- A rolling shop with two mills for the production of section metal;
- A shop for lime and dolomite burning and production of refractories;
- Repair and auxiliary shops, laboratories;

—Units at the mill for the supply of gas, electricity, water, steam, air blast and oxygen, compressors, storage and haulage facilities and distribution systems within the mill. Training centre.

The Soviet organizations shall execute the planning work, deliver equipment, machinery and materials and provide other forms of technical assistance within such periods as to enable the mill to start production in 1971.

Co-operation to increase the annual capacity of the steel mill to 1-1.2 million tons and the conditions for such co-operation shall be the subject of a supplementary arrangement between the Parties.

(b) Iron ore depot for the steel mill.

The Chaghart (Bafq) mine produces sufficient ore to meet the requirements of the steel mill.

(c) Lime, dolomite and refractory clay quarries.

(d) Coal depot for the steel mill.

Technical assistance shall be provided for the execution of exploratory and planning work for the construction of a coking coal depot, at the Kerman coal field. The amount and the timing of the technical assistance in the construction of the coal depot shall be fixed in a supplementary arrangement between the Parties.

2. *Gas pipeline for the delivery of gas from Iran to the USSR*

(a) Saveh-Astara section : to be constructed in accordance with the provisions of this Agreement. The piping, accessories, automatic control devices and communications for this section shall be provided by the Iranian Party. The Soviet organizations shall execute planning work, deliver equipment, machinery and machines and provide other forms of technical assistance within such periods as to enable the gas pipeline to start operation in 1970.

(b) Section from the oil and gas fields in South Iran to Saveh : to be constructed using manpower and equipment provided by the Iranian Party. The Soviet organizations shall supply equipment and machines for the compressor plants in the section between the central gas purification plant and Saveh, in quantities to be agreed by the Parties and within such periods as to enable the gas pipeline to start operation in 1970.

3. *Mechanical engineering plant* with an annual output of 25,000-30,000 tons of metal products.

The component parts of the plant and the list of its products shall be determined after consideration of the technical and economic report. The Soviet organizations shall provide technical assistance in the construction of the plant within such periods as to enable the first stage of the plant to start production within three years following the date of conclusion of the contract for the execution of planning work and the second stage to start production within four or four and a half years following that date.

NOTES :

1. The output [capacity] of the projects may be adjusted in the contracts on the basis of the plans.

2. The Iranian Party shall provide electricity, gas and water for the projects, construct water storage installations, provide communications and railroads and roadways to the project precincts and construct housing estates within the periods specified in the contracts.

3. The time-table for the execution of individual parts of the planning work, the delivery of equipment and materials and the provision of other forms of technical assistance shall be specified in the contracts, within the general time-table established in this annex.