



PREFERENTIAL TRADE AGREEMENT

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

AND

THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF IRAN

REPUBLIK INDONESIA

PREAMBLE

The Government of the Republic of Indonesia and the Government of the Islamic Republic of Iran (hereinafter referred to individually as a "Party" and collectively as "the Parties"),

RECALLING the Framework Agreement on Comprehensive Trade and Economic Partnership (CTEP) between the Government of the Republic of Indonesia and the Government of the Islamic Republic of Iran signed in Tehran on 21st June, 2005, which mandated the establishment of a Preferential Trade Agreement hereinafter referred to as "the Agreement"

CONSCIOUS of their longstanding friendship and fraternity;

EXPECTING that the Agreement between the Parties will create a better climate for economic cooperation which will contribute to the expansion of trade and provide commercially meaningful outcome for the Parties;

RECOGNISING that the strengthening of their closer economic partnership will bring economic and special benefits and improve the living standards of their peoples;

BELIEVING that the content of this Agreement may gradually extend the coverage of concession of mutual interest;

STRESSING the need for opening up the market access and improving trade facilitation of certain potential goods as well as to diversify tradable goods with a view to fostering further development for their respective economies;

CONSIDERING the respective rights and obligations and undertakings of the Party under other existing international agreements and arrangements.

CONSIDERING the above, the Parties agreed to establish a Preferential Trade Agreement under the following provisions;

HAVE AGREED as follows:

Article 1: Objectives

The objective of this Agreement is to strengthen trade relations between the Parties, particularly through:

(a) reduction or elimination of tariffs on trade in goods;

(b) elimination of non-tariff barriers and para-tariffs on trade in goods;

(c) the creation of more predictable and secure environment for sustainable growth of trade;

(d) the diversification of commercial exchanges; and

(e) trade promotion and facilitation to expand bilateral trade.

Article 2: Interpretation of the Agreement

Provisions of this Agreement shall be interpreted in accordance with applicable customary rules of interpretation of public international law, due account being taken of the fact that the Parties must perform this Agreement in good faith and avoid circumvention of their obligations.

Article 3: Definitions

For the purpose of this Agreement:

(a) **goods** constitute commodities and products under the Harmonized Commodity Description and Coding System;

(b) **Joint Committee** means the committee established under the Article 19 of this Agreement;

(c) **measure** means any measure by any Party whether in the form of laws, regulations, rules, procedures, decisions, or administrative actions;

(d) **non-tariff barrier** means any measure, regulation, or practice, other than tariff and para-tariff, the effect of which is

to restrict imports or to significantly distort trade between the Parties. Measures permitted under this Agreement are not considered as non-tariff barriers;

(e) **para-tariff** means border charges and fees other than tariff on foreign trade transactions with a tariff like effect, which are levied solely on imported goods. Indirect taxes and charges which are levied in the same manner on like domestic products or, import charges corresponding to specific services rendered, and other duties permitted under this Agreement, are not considered as para-tariff measures;

(f) **preferential treatment** means any concession or privilege granted under this Agreement by a Party, inter alia, through the reduction or elimination of tariff and elimination of non-tariff barriers on the movement of goods;

(g) **tariffs** means import duties stipulated in the national tariff schedule of the Parties. Import duties do not include any antidumping or countervailing duties applied consistently with Article 10 (Antidumping and Countervailing Measures) and safeguard measures imposed consistently with Articles 11 (Bilateral Safeguard Measures), Article 12 (General Safeguard Measures), and Article 27 (Balance of Payments).

Article 4: General Principles

This Agreement shall be governed in accordance with the principles of non-discrimination, no less favourable treatment, and overall reciprocity of advantages so as to benefit equitably to the Parties, taking into account their respective levels of economic development, the pattern of their external trade and their trade and tariff policies.

Article 5: Scope

The provisions of this Agreement shall apply to trade in goods between the Parties, relating to the goods originating from the Parties except for Article 6 (Reduction or Elimination of Tariff, Para-Tariff, and Non-Tariff Barriers), Article 8 (National Treatment), Article 9 (Rules of Origin), Article 11 (Bilateral Safeguard Measures), Article 25 (Classification of Goods and

Transposition of Schedules of Tariff Concessions) and Article 27 (Balance of Payment) which shall be applicable only on goods included in schedule of tariff concessions.

Article 6: Reduction or Elimination of Tariff, Para-Tariff, and Non-Tariff Barriers

1. The Parties agreed that all tariff of goods as set out in its schedule of tariff concessions as stipulated in Annex I shall be reduced or eliminated in accordance with the modality as set out in the Annex II of this Agreement in compliance with the provisions of Annex III of this Agreement concerning the rules of origin.

2. If the tariff rate of a Party which are applied to all countries on a particular good are lower than the rate of tariff provided for in its schedule of tariff concessions as stipulated in Annex I, that a Party shall apply the lower rate to the originating good of the other Party and shall publish on the internet the changes to the tariff rate of a Party which are applied to all countries.

3. The Parties agreed that all para-tariffs shall be eliminated and new para-tariffs on such goods shall not be introduced.

4. With respect to the goods listed in schedules of tariff concessions as stipulated in Annex I of this Agreement, the Parties further agree to eliminate from the date this Agreement enters into force, all non-tariff barriers, para-tariffs and any other equivalent measures on the movement of goods, other than those imposed in accordance with other relevant provisions of this Agreement.

Article 7: No Less Favourable Treatment

1. A Party shall not accord any less favourable treatment to the other Party than that accorded to any other Non-party with regard to any rules, regulations, procedures, and formalities applicable to any like products originating in or destined for any other country or customs territories.

2. Without prejudice to the paragraph 1, unless there is a specific mutual agreement between the Parties, they shall not be

eligible to benefit from any advantage, favour, privilege, or immunity granted by each Party to another country within the framework of a preferential trade agreement, free trade area, or customs union.

Article 8: National Treatment

1. With respect to goods specified in the schedule of tariff concessions, those goods imported to the other Party shall be accorded treatment no less favourable than like products of national origin, in respect of measure affecting their sale, offer for sale, purchase, transportation, distribution or use.

2. Notwithstanding paragraph 1, the provision shall not:

   (a) prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product;

   (b) apply to measures governing the procurement by governmental agencies; and

   (c) apply to subsidies.

Article 9: Rules of Origin

Rules of Origin as provided under Annex III shall be applicable to the goods set out in the Parties' schedule of tariff concessions as stipulated in Annex I to qualify for preferential treatment.

Article 10: Antidumping and Countervailing Measures

1. The Parties recognise that dumping, by which products of one country are introduced into the commerce of another country at less than the normal value of the products, is to be condemned if it causes or threatens material injury to an established industry in the territory of a Party or materially retards the establishment of a domestic industry. For the purposes of this Article, a product is to

be considered as being introduced into the commerce of an importing country at less than its normal value, if the price of the product exported from one country to another:

(a) is less than the comparable price, in the ordinary course of trade, for the like product when destined for consumption in the exporting country; or

(b) in the absence of such domestic price, is less than either:

(i) the highest comparable price for the like product for export to any third country in the ordinary course of trade;

(ii) the cost of production of the product in the country of origin plus a reasonable addition for selling cost and profit; or

(iii) due allowance shall be made in each case for differences in conditions and terms of sale, for differences in taxation, and for other differences affecting price comparability.

2. In order to counter injury caused by dumping or subsidy, the Parties shall have the right to take anti-dumping and countervailing measures in accordance with their applicable domestic laws and regulations and shall be used in full compliance with the relevant international law and practice on antidumping and shall be based on a factual, positive and empiric evidence(s), as well as fair and transparent system.

3. After the receipt of a properly documented application made by the domestic industry and before the initiation of an investigation, the authorities of the importing Party shall notify the government of exporting Party in a reasonable time.

4. Investigation shall, except in special circumstances, be concluded within one year, and in no case more than 18 months, after their initiation. As soon as an investigation has been initiated, the authorities of the importing Party shall provide the non-confidential text of the written application received to the known exporters and

to the authorities of the exporting Party and shall make it available, upon request, to other interested parties involved.

5. Interested parties receiving questionnaires used in investigation shall be given at least 30 days for reply. Due consideration should be given to any request for an extension of the 30 days period and, upon cause shown, such an extension should be granted whenever practicable.

6. The authorities of the importing Party shall, before a final determination is made, inform the exporting Party of the essential facts which form the basis for the decision whether to apply definitive measures. Such disclosure should take place in sufficient time for the parties to defend their interests.

7. An anti-dumping or countervailing duty imposed by a Party shall not exceed the margin of dumping or countervailing subsidy.

Article 11: Bilateral Safeguard Measures

1. If, as a result of the reduction or elimination of a tariff under this Agreement, originating goods of a Party are being imported into the territory of the other Party in such increased quantities, in absolute terms or relative to domestic production, and under such conditions as to cause or threaten to cause serious injury to a domestic industry producing like or directly competitive goods, the importing Party, may adopt safeguard measures.

2. Before applying safeguard measures, the Party intending to apply such measure shall supply the other Party with all the relevant information required for a thorough examination of the situation with a view to seeking an acceptable solution to both of the Parties. In order to find such a solution, the Parties shall immediately hold consultations. If, as a result of the consultations, the Parties do not reach an agreement within 30 days, the complaining Party may apply safeguard measures.

3. The importing Party may adopt safeguard measures which may include suspension or withdrawal of further reduction of the tariff rate, or modification of the tariff rate on the goods concerned provided for under this Agreement to the level which does not

exceed the tariff rates of the Parties which are applied to all countries at the time the safeguard measure is taken.

Article 12: General Safeguard Measures

Article 11 (Bilateral Safeguard Measures) is without prejudice to the rights and obligations of the Parties with regard to the application of general safeguard measures imposed in compliance with their domestic laws and regulations.

Article 13: Standards, Technical Regulations, Conformity Assessment Procedures (STRACAP)

1. The Parties shall ensure that STRACAP are not prepared, adopted or applied with a view to create unnecessary obstacles to the bilateral trade or to protect domestic industry.

2. For this purpose, STRACAP shall not be more trade-restrictive than necessary to fulfil a legitimate objective, taking into account the risks non-fulfilment would create. Such legitimate objectives are, inter alia: those described in Articles 16 (General Exception) and 17 (Security Exception); the prevention of deceptive practices, the protection of the environment. In assessing such risks, relevant elements of consideration shall be, inter alia the available scientific and technical information, the related processing technology or the intended end uses of products.

Article 14: Sanitary or Phytosanitary (SPS) Measures

1. The Parties shall ensure that SPS measures are not prepared, adopted or applied with a view to create obstacles to the bilateral trade or to protect domestic industry.

2. The Parties shall ensure that any SPS measures are applied to protect human, animal, or plant life or health based on scientific principles, taking into account standards, guidelines and recommendations developed by relevant international standard setting bodies.

Article 15: Relations to Other Agreements

1. This Agreement shall not prevent the maintenance or establishment of customs unions, free trade areas, preferential trade agreements, multilateral trade agreements or cross-border trade arrangements of the Parties with other countries.

2. The Parties recognise their intention for this Agreement to co-exist with their other existing agreements to which Parties are party to. To that end, each Party affirms its existing rights and obligations in relation to the aforementioned existing international agreements with respect to the other Party.

3. If a Party considers that a provision of this Agreement is inconsistent with a provision of another agreement to which it and the other Party is party, the Parties shall, on request, consult with each other with a view to reaching a mutually satisfactory solution in accordance with Article 20 (Consultations). This paragraph is without prejudice to a Party's rights and obligations under Article 21 (Dispute Settlement).

Article 16: General Exceptions

Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination where the same conditions prevail, or a disguised restriction between the Parties, nothing in this Agreement shall be construed to prevent the adoption on enforcement by any Party, of measures:

(a) necessary to protect public morals and religious values;

(b) necessary to protect human, animal, or plant life or health;

(c) relating to the importations or exportations of gold or silver;

(d) necessary to secure compliance with laws or regulations which are not inconsistent with the provisions of this Agreement;

(e) relating to the products of prison labour;

(f) imposed for the protection of national treasures of artistic historic or archaeological value;

(g) relating to the conservation of exhaustible natural resources if such measures are made effective in conjunction with restrictions on domestic production or consumption;

(h) undertaken in pursuance of obligations under the Parties commodity agreement which conforms to criteria submitted to the Parties and not disapproved by them or which is itself so submitted and not so disapproved;

(i) involving restrictions on exports of domestic materials necessary to ensure essential quantities of such materials to a domestic processing industry during periods when the domestic price of such materials is held below the world price as part of a governmental stabilization plan; Provided that such restrictions shall not operate to increase the exports of or the protection afforded to such domestic industry, and shall not depart from the provisions of the agreement relating to non- discrimination.

Article 17: Security Exceptions

Nothing in this Agreement shall prevent a Party from taking any measures, which it considers necessary for security requirements:

(a) to prevent the disclosure of confidential information contrary to its essential security interests;

(b) for the protection of its essential security interests or for the implementation of international obligations or national policies such as:

(i) relating to the traffic in arms, ammunition and implementation of war, provided that such measures do not impair the conditions of competition in respect of the goods not intended for specifically military purposes, and to such traffic in other goods, materials and services as is carried on directly or indirectly for the purpose of supplying a military establishment;

(ii) relating to the non-proliferation of biological and chemical and nuclear weapons, or other nuclear explosive devices; or

(iii) taken in time of national emergency or war or other emergency in international relations.

Article 18: Transparency

1. Each Party shall ensure that its laws and regulations relating to any trade matter covered by this Agreement are published or made publicly available, including on the internet, in a manner set out in their respective laws and regulations.

2. On the request of the other Party, each Party shall provide information and reply to any question from the other Party within a period of 30 days, relating to an actual measure that might affect the operation of this Agreement.

Article 19: Joint Committee

1. The Parties hereby establish the Joint Committee on the implementation of this Agreement (the Joint Committee) consisting of representatives of the Parties.

2. The functions of the Joint Committee shall be to:

(a) review the implementation and operation of this Agreement;

(b) undertake any function assigned to it under the provisions of this Agreement;

(c) propose any possible amendment to the Agreement;

(d) consider any other matter that may affect the operation of this Agreement; and

(e) carry out any other function as the Parties may agree.

3. The Joint Committee shall meet at least once a year to review the progress made in the implementation of this Agreement, or at such times as may be agreed by the Parties.

4. Decisions of the Joint Committee shall be taken by consensus.

5. The Joint Committee may also establish any other sub-committee or working group as it deems necessary to address issues arising under, and assist with the implementation of this Agreement.

6. The Joint Committee shall set out its rules of procedures during its first meeting.

Article 20: Consultations

1. Each Party shall accord sympathetic consideration to and shall afford adequate opportunity for consultations with respect to any matter affecting the operation of this Agreement.

2. After the date of receipt of the request of either Party, the Joint Committee shall meet within 30 days to consider any matter for which it has not been possible to find a satisfactory solution through consultations in accordance with paragraph 1.

Article 21: Dispute Settlement

1. Any disputes arising from or relating to the interpretation and or application of the Agreement between the Parties shall first be settled amicably through bilateral consultations.

2. The request for consultations shall be in writing and shall include the reasons for the request, including the identification of the measure at issue and an indication of the legal basis for the complaint, and provide sufficient information to enable an examination of the matter.

3. If the Parties fail to resolve a dispute in expeditious manner within 75 days after the date of receipt of the consultations provided under paragraph 2, the Complaining Party may request in writing the establishment of an Arbitration Tribunal of three members which

consist of two arbitrators appointed by the Parties and a Chair Arbitrator of the Arbitration Tribunal.

4. In case the dispute is referred to the Arbitration Tribunal, either Party shall appoint an arbitrator within forty days of the date of request, and the arbitrators appointed by the Parties shall appoint the Chair Arbitrator within 40 days from the date of the appointment of the last of Arbitrator.

5. If either Party fails to appoint its own arbitrator or the appointed arbitrators fails to appoint or do not agree on the appointment of the Chair Arbitrator within the said periods, each Party may request the President of the International Court of Justice to appoint the arbitrator of the failing Party or the Chair Arbitrator as the case may be, within 30 days from such request.

6. However the Chair Arbitrator shall not be a national of either Party and shall be a national of a state having diplomatic relations with both Parties at the time of the appointment. The date of establishment of the Arbitration Tribunal shall be the date on which the chairperson is appointed.

7. All arbitrators shall be chosen strictly on the basis of objectivity, reliability, and sound judgment, and shall have specialized knowledge or experience in law, international trade or other matters relating to this Agreement or in the resolution of disputes arising under international trade agreements. They shall be independent, serve in their individual capacities and not be affiliated with, nor take instructions from any Party or organization related to the dispute.

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

9. Unless the Parties agreed otherwise, the Arbitration Tribunal shall follow the model rules of the procedure set out in Annex IV (Rules of Procedure of Arbitration Tribunal). The Arbitration Tribunal may, after consulting with the parties adopt additional rules of procedures not inconsistence with the model rules of procedures.

10. Each Party shall bear the expenses of its arbitrator and its presentation in the arbitral proceedings. The expenses of the Chair Arbitrator and other expenses of the arbitration shall be borne equally by the Parties.

11. The decisions of the Arbitral Tribunal shall be binding on the Parties. If either Party fails to implement the decisions, the other Party shall have the right to withdraw the equivalent preferential treatment. Such withdrawal shall be a temporary measure and shall be applied until such time as the non-conformity is fully eliminated or a mutually satisfactory solution is reached.

Article 22: Contact Points

Each Party shall designate a contact point to facilitate communication among the Parties on any matter relating to this Agreement. A Party shall notify the other Party promptly of any amendment to the details of its contact point.

Article 23: Reviews, Amendments and Modification

1. Any Party may, after one year from the date of entry into force of this Agreement, notify in writing to the other Party of its intention to review, modify, or amend any provision or concession under this Agreement.

2. Any reviews, amendments and modifications of this Agreement or its Annexes shall be conducted through mutual consent, taking into account the experience gained in its implementation.

3. Such amendment shall enter into force in accordance with the same procedure as set forth in Article 33 (Entry Into Force), or as otherwise agreed by the Parties.

4. The Parties understand that, without prejudice to the necessary internal requirements of each Party, amendments relating only to Title IV Certificate of Origin of Annex III of this Agreement (Rules of Origin) and its attachment may be made by diplomatic notes exchanged between the Parties.

Article 24: Improvement of the Concession

With a view to improve the coverage of the concession, the Parties shall consider further liberalization of their bilateral trade through consultations within the Joint Committee as stipulated in Article 19 (Joint Committee).

Article 25: Classification of Goods and Transposition of Schedules of Tariff Concessions

1. The classification of goods in trade between the Parties shall be in conformity with the Harmonized Commodity Description and Coding Systems (HS) and its amendments.

2. The Parties shall mutually decide whether any revisions are necessary to implement its schedule of tariff concessions as stipulated in Annex I due to periodic amendments and transposition of the HS Code.

3. If the Parties decide that revisions are necessary in accordance with paragraph 2, the transposition of the schedules of tariff commitments shall be carried out in accordance with the methodologies and procedures adopted by the Joint Committee.

4. Following completion of the transposition process in paragraph 3, the Parties through the Joint Committee shall endorse and publish such revisions in a timely manner.

Article 26: Counter Trade

1. The Parties recognize the utilization of countertrade as an alternative mechanism in international trade that may facilitate trade

flow and thus promote economic developments. The Parties shall undertake or engage in consultation to further develop this Article.

2. Nothing in this Article shall be construed to modify the rights and obligations of the parties under international trade agreements to which the respective Party is a party.

Article 27: Balance of Payments

1. Either Party when faced with serious balance of payments, external financial difficulties or under threat thereof, may take restrictive measures with regard to import, or to the transfer of payments for its current account transactions in the framework of this Agreement, subject to the conditions and procedures set out in this Article.

2. Either Party intending to take restrictive measures as provided in paragraph 1 with respect to goods included in schedule of tariff concessions, shall enter into consultations with the other Party with a view to designing a mutually acceptable mechanism to address the situation concerned. In the event of it not being practical to enter into prior consultations, they shall promptly do so following the adoption of such measures. While in consultations, the Parties shall give considerations to all other possible alternative solutions to deal with the situation concerned.

3. If the Parties fail to come to a mutually acceptable agreement within three months of such consultations, the Party affected by serious balance of payments difficulties, may adopt or maintain the measure concerned, provided that it will:

   (a) avoid unnecessary damage to the commercial or economic interests of the other Party;

   (b) not exceed those necessary to deal with the balance of payments, external financial difficulties, or threat thereof;

   (c) be temporary and progressively relax them as such conditions improve, and eliminate the restrictions when conditions would no longer justify their institution or maintenance of such restrictive measures.

(d) not to apply restriction so as to prevent unreasonably the importation of any description of goods in minimum commercial quantities the exclusion of which would impair regular channels of trade, and would prevent the importations of commercial samples or prevent compliance with trade related rules of procedures.

4. The provision in this Article shall not be construed to require a Party to give treatment to the other Party more favourable than that accorded to non-Party when taking measures in paragraph 1.

Article 28: Shortage

Nothing in this Agreement shall preclude the maintenance or adoption of any trade restrictive measures necessary to remove or forestall a serious shortage, or threat thereof, of any product essential to the exporting Party.

Article 29: Transfer of Payments

Except in accordance with their respective rights and obligations in relation to the International Monetary Fund or where otherwise provided in this Agreement, the Parties shall, in accordance with the laws and regulations of their respective countries, allow payments for their current account transactions in the framework of this Agreement to be made in freely convertible or usable currency.

Article 30: Relations with Extraterritorial Measures

With a view to ensure the implementation of this Agreement, the Parties agree to consult each other for any extraterritorial measures of any third country that negatively affect this Agreement.

Article 31: Duration and Termination

1. This Agreement shall remain in force until terminated according to the provision under paragraph 2.

2. Either Party may terminate this Agreement by providing a written notification through diplomatic channels to the other Party. The Agreement shall terminate 180 days after the date of such notification.

3. The other Party may request, in writing, consultations concerning any matter that may arise from the withdrawal of a Party from this Agreement no later than 60 days after the date of receipt of the notification referred to paragraph 2. The requested Party shall enter into consultation in good faith upon receipt of the request.

Article 32: Annexes and Footnotes

The footnotes and the following Annexes to this Agreement, [including their Appendices] shall constitute an integral part of this Agreement:

(a) Annex I (Schedule of Tariff Concessions);

(b) Annex II (Modality);

(c) Annex III (Rules of Origin);

(d) Annex IV (Rules of Procedure of Arbitration Tribunal).

Article 33: Entry Into Force

This Agreement shall enter into force 60 days after the receipt of the latter diplomatic note confirming that all procedures required by the national legislation of each Party for the entry into force of the Agreement have been completed.

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

Done and signed in Bogor on 23rd of May, 2023, in duplicate, each in Indonesian, Persian and English languages, all texts being equally authentic. In case of any divergence, the English texts shall prevail.

FOR THE GOVERNMENT OF THE REPUBLIC OF INDONESIA	FOR THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF IRAN
ZULKIFLI HASAN	**HOSSEIN AMIRABDOLLAHIAN**
Minister of Trade	Minister of Foreign Affairs