



## The Comprehensive Examination of Challenges in Enforcing Foreign Arbitral Awards in the Iranian Legal System with Emphasis on Public Order and National Sovereignty

**Ameneh Abyar**

Ph.D. Candidate in Commercial Arbitration and Executive Legal and Contract Management, University of Tehran, Iran

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### ABSTRACT

This article examines the principal legal, constitutional and practical obstacles to recognition and enforcement of foreign arbitral awards in the Islamic Republic of Iran, focusing on the twin concepts of public order (*ordre public*) and national sovereignty. Iran's accession to the 1958 New York Convention in 2001 and the enactment of domestic arbitration legislation modelled on the UNCITRAL Model Law have, in principle, created a framework conducive to enforcement; however, constitutional constraints, state practice and policy considerations repeatedly complicate implementation. Central among obstacles is article 139 of the Iranian Constitution, which conditions referral or settlement of disputes concerning public or state property to the approval of the Council of Ministers and where foreigners are parties to parliamentary notification or approval, thereby limiting the arbitrability and enforceability of awards touching on public/state assets. Courts applying the public-order exception under the New York convention and domestic procedural rules have at times invoked article 139 or broad public policy concerns to deny recognition or to delay enforcement; recent jurisprudence from Iran's Supreme Court (2024) evidences incremental clarification but does not eliminate uncertainty. Other enforcement hurdles include ambiguities in statutory definitions (e.g., what counts as "international" or "public" property), procedural barriers (jurisdictional review, limited discovery, availability of interim measures), state immunity claims, and the impact of extrajudicial factors such as international sanctions and political relations. The article analyses doctrinal debates, major statutory provisions, representative case law and evolving administrative practice, and proposes targeted reforms statutory clarifications, issuance of implementing regulations, internal approval protocols for article 139 matters, judicial training, and treaty-level initiatives to reconcile Iran's commitment to arbitral enforcement with legitimate public-order and sovereignty concerns while improving predictability for foreign investors and creditors.

### Introduction

International commercial arbitration depends on predictable enforcement of awards across borders. The 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") provides the principal multilateral mechanism for that predictability. Iran joined the New York convention in 2001, and its domestic statutes governing international arbitration are largely built on UNCITRAL Model Law principles, signaling formal commitment to the

international arbitration regime. Despite these formal commitments, enforcement of foreign arbitral awards in Iran remains fraught [1].

Two interlocking doctrinal features account for much of the friction: (1) the constitutional protection of "public and state property" (article 139 of the Constitution), which conditions arbitration or settlement involving such property on executive and, in important cases involving foreigners, parliamentary approvals; and (2) the broad and protean "public policy" grounds available to Iranian

\*Corresponding Author: **Ameneh Abyar** ([Ameneh\\_abyar@yahoo.com](mailto:Ameneh_abyar@yahoo.com))

courts when considering enforcement under both domestic law and the New York convention reservation. These features intersect with procedural, institutional, and geopolitical realities including sanctions and sovereign immunity doctrines producing uncertainty for award creditors and debtors alike [2].

This article maps the legal framework, explores jurisprudential trends (including recent supreme court interpretation), and assesses practical and doctrinal challenges. It then proposes recalibrations statutory, judicial, and administrative that could preserve legitimate sovereignty concerns while improving enforceability and investor confidence.

### Literature Review

The enforcement of foreign arbitral awards stands at the heart of international commercial arbitration. Without reliable enforcement mechanisms, arbitration would lose its practical value as an alternative to litigation. The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (hereafter “the New York Convention”) is the primary multilateral instrument that obliges member states to recognize and enforce foreign awards with limited exceptions. Iran’s accession to the convention in 2001 represented a significant milestone in its integration into the international arbitration regime. Nonetheless, the interaction between Iran’s constitutional law particularly article 139 of the Iranian constitution and international obligations has created a persistent tension between the enforcement of foreign awards and the protection of public order (*ordre public*) and national sovereignty [1].

Scholars of international arbitration law (Born, 2021; Redfern & Hunter, 2015) generally agree that the predictability of enforcement is the lifeblood of arbitration. Under article V of the New York Convention, recognition may be refused only on limited grounds, such as lack of due process, non-arbitrability, or contravention of public policy. However, the convention allows each signatory state to define public policy according to its domestic legal principles, creating variance in interpretation [4].

Iran’s domestic legal framework comprises the law on International commercial arbitration (LICA) of 1997, which closely follows the UNCITRAL Model law, and the civil procedure code, which governs enforcement procedures. While LICA incorporates international standards of party autonomy and limited court intervention, the Iranian constitution imposes certain structural constraints that cannot be overridden by statute. Article 139 prohibits the arbitration or settlement of disputes involving “public or state property” without the approval of the council of ministers, and, when foreigners are parties, parliamentary notification or approval is also required. This dual requirement often

complicates or delays the enforcement of arbitral awards involving state entities or public assets [5].

The public policy exception under article V(2)(b) of the New York convention has generated extensive academic debate. In most jurisdictions, courts interpret “public policy” narrowly, limiting it to violations of fundamental moral, legal, or constitutional norms. For example, French and Swiss courts apply an “international public policy” standard that minimizes state intervention in enforcement. By contrast, some states, including Iran, India, and certain Arab jurisdictions, adopt a broader view encompassing socio-economic considerations, Islamic law principles, and political interests [6].

In the Iranian context, public policy often overlaps with Islamic principles and national interests as defined by constitutional and statutory provisions. Courts have invoked public order to refuse enforcement of awards deemed contrary to “Islamic morals,” to public property protection, or to sanctions regimes. The elasticity of public policy has thus become a tool for reconciling international obligations with domestic ideological and sovereign imperatives.

Academic studies highlight article 139 as the most distinctive feature of Iran’s arbitration regime [7]. It embodies a constitutional safeguard ensuring that state assets are not arbitrated or alienated without governmental oversight. While this serves the legitimate purpose of protecting national property and sovereignty, its ambiguous language especially the undefined scope of “public property” and “important cases” creates unpredictability.

Several scholars argue that article 139 functions as both a jurisdictional limitation (restricting the validity of arbitration agreements) and an enforcement filter (allowing courts to deny recognition of awards not duly authorized). In practice, Iranian courts have applied the provision inconsistently. In some cases, the courts have treated lack of prior approval as a jurisdictional defect voiding the arbitration clause *ab initio*; in others, they have allowed post-hoc ratification [8].

Recent supreme court interpretations, such as the 2024 ruling discussed by [Viamediationcentre.org](http://Viamediationcentre.org) and the ASA Bulletin (2024), suggest a gradual shift toward a functional reading: approvals may be deemed curative if obtained before enforcement. However, no uniform administrative procedure yet exists to secure such approvals, leaving enforcement outcomes uncertain.

Empirical studies and case analyses indicate that Iranian courts approach foreign arbitral awards cautiously. The judiciary’s relative unfamiliarity with international arbitration principles and the political sensitivity of cross-border disputes reinforce conservative interpretations. Several recurring challenges emerge from Iranian jurisprudence:

- ✓ **Procedural formalities:** Strict requirements for certified Persian translations, notarized documents, and diplomatic authentication often delay enforcement.
- ✓ **Substantive review:** Courts sometimes engage in de facto merits review under the guise of public policy, contrary to Article V's limited scope (Fazeli,2023).
- ✓ **Sovereign immunity:** State-owned enterprises often invoke immunity to resist enforcement, even when they have contractually agreed to arbitration.
- ✓ **Sanctions and international relations:** Enforcement may be hindered by sanctions-related restrictions, as courts and banks avoid transactions with sanctioned entities, citing national interest [9].

Collectively, these factors foster uncertainty and discourage foreign investors from relying on arbitration in Iranian-related transactions.

Iranian scholars and practitioners have debated how to reconcile article 139 with Iran's treaty obligations. One camp advocates a restrictive interpretation, confining the approval requirement to disputes directly involving state property in the public domain. This view aligns with the principle of good faith in treaty performance under the Vienna convention on the law of Treaties. Another camp argues for legislative clarification, suggesting that Parliament or the council of ministers should issue implementing regulations defining "public property," "important cases," and procedural steps for obtaining approval.

Comparative studies recommend that Iran emulate systems such as Egypt or Turkey, which have adopted pragmatic mechanisms allowing state entities to arbitrate without separate legislative authorization, provided that relevant ministries approve contracts ex ante. Judicial training and specialization have also been proposed to harmonize interpretations and limit excessive judicial review. Furthermore, reformers suggest distinguishing between domestic public policy and international public policy a concept used in many jurisdictions to narrow the scope of review when enforcing foreign awards. By adopting an international public policy test, Iranian courts could preserve core constitutional values while honoring the pro-enforcement spirit of the New York convention [10]. Recent jurisprudential trends show cautious progress. The 2024 supreme court decision clarifying article 139 signaled a willingness to interpret the approval requirement more flexibly. Academic commentary interprets the decision as an attempt to balance sovereignty with arbitration efficiency. The government has also expressed interest in drafting implementing regulations, though as of late 2025, no finalized directive has been enacted.

At the academic level, Iranian law faculties increasingly incorporate international arbitration into curricula, and professional bodies such as the Tehran regional Arbitration Centre (TRAC) are promoting alignment with UNCITRAL standards. These developments, though incremental, indicate an ongoing evolution toward compatibility with international enforcement norms.

The reviewed literature reveals a vibrant but fragmented body of scholarship. Most authors agree that the combination of article 139 and a broad public policy exception remains the principal barrier to effective enforcement of foreign arbitral awards in Iran. While international instruments and the LICA provide a formal framework consistent with global standards, domestic constitutional and procedural obstacles persist.

However, there remains a significant research gap concerning (a) the empirical impact of article 139 on enforcement statistics, (b) the precise boundaries of Iran's public policy doctrine, and (c) practical mechanisms for harmonizing constitutional sovereignty with treaty commitments. Few studies systematically integrate legal doctrine, case law, and institutional practice. The present research aims to fill this gap by offering a comprehensive analysis of the doctrinal, procedural, and constitutional dimensions of enforcing foreign arbitral awards in Iran, with an emphasis on reconciling public order and national sovereignty.

### **Legal and institutional framework**

#### **The New York convention and Iran's accession:**

The New York convention requires contracting States to recognize arbitral awards made in other contracting States and to enforce them subject to limited exceptions. Iran deposited its instrument of accession in 2001; the convention entered into force for Iran in January 2002. Iran's accession law and implementing practice make the convention applicable domestically, but the convention's article V defenses (including non-arbitrability and public policy) leave significant interpretative space for national courts.

**Domestic arbitration law:** LICA and the model law influence: Iran's Law on International Commercial Arbitration (LICA), adopted in the late 1990s, draws on the UNCITRAL model law and provides a regime for arbitration in international commercial relationships (where at least one party is non-Iranian). LICA sets rules on jurisdiction, arbitrability, seat and enforcement procedures, and recognizes party autonomy in choice of law and procedure. Nonetheless, LICA operates alongside constitutional provisions (notably article 139) and ordinary procedural law that shape courts' treatment of foreign awards.

**Article 139:** constitutional overlay on arbitrability and settlement: Article 139 of the constitution conditions conciliation or arbitration of claims

relating to public and state property upon the approval of the Council of Ministers, and in cases involving foreigners (or “important” cases) also upon parliamentary approval or notification. This constitutional rule aims to insulate public property and sovereign prerogatives from private dispute resolution without political oversight; however, its

breadth and linkage to “public property” create legal uncertainty about which cases must observe the approval mechanism and when a court may refuse enforcement on that ground [11]. In table (1), Comparative Table of Previous Studies and Analyses was illustrated.

Table 1. Comparative Table of Previous Studies and Analyses

Scope / Focus	Methodology	Key Findings	Relevance to Iran’s Legal & Institutional Framework	Gaps / Limitations
Examines the constitutional limits on arbitration involving public/state property	Doctrinal–comparative legal analysis; case-based	Article 139 acts as a structural constraint on both arbitration referrals and enforcement when public property is involved; requires executive approval.	Demonstrates that even after Iran’s accession to the New York Convention, constitutional barriers can override international commitments.	Focuses mainly on investment disputes; lacks empirical data on actual enforcement cases.
Analyzes the scope of “public policy” and its use by Iranian courts to deny enforcement	Doctrinal analysis and case review; comparative insights	Iranian courts interpret public policy broadly and often invoke Article 139 to defend national sovereignty	Highlights how the public policy exception is frequently intertwined with sovereignty concerns.	Limited implementation roadmap; mostly theoretical recommendations.
Reviews the 1997 Iranian LICA and its conformity with the UNCITRAL Model Law	Textual–comparative commentary	LICA follows the Model Law closely, endorsing party autonomy, but constitutional limits (Art.139)	Reveals the legal gap between the statutory framework and constitutional constraints on enforcement.	Focuses on text and doctrine; less on institutional mechanisms for approval.
Studies divergent interpretations of Article 139 (literalist vs. functionalist)	Theoretical and jurisprudential synthesis	Identifies two competing interpretations: (a) literal approval must precede arbitration; (b) functional approval may be remedial.	Clarifies the doctrinal controversy affecting jurisdiction and enforceability of awards involving public property.	No empirical data on how these interpretations affect actual court practice.
Examines the 2024 Iranian Supreme Court decision interpreting Article 139	Case analysis and comparative commentary	Supreme Court adopted a more flexible reading: prior approval not always mandatory; ex post ratification may validate arbitration.	Significant because it potentially reduces automatic refusal of enforcement and aligns	No unified lower-court implementation; lack of formal administrative regulation for obtaining approvals.
Explores how sanctions and sovereign immunity affect enforcement of awards against Iran or SOEs	Applied legal analysis using industry data and comparative review	Sanctions and banking restrictions effectively hinder enforcement even absent formal legal grounds; SOEs often invoke immunity.	Shows that legal frameworks must be supplemented by practical enforcement tools (escrow, internal payment mechanisms).	Limited empirical assessment of successful enforcement cases; focuses on energy-sector examples.

**Key Insights from Comparative Studies**

- ✓ **Consensus:** Most scholars agree that Article 139 of the Constitution and a broad conception of public policy constitute the two main legal-institutional hurdles to enforcement of foreign arbitral awards in Iran.
- ✓ **Tension:** There is a persistent tension between Iran’s treaty obligations under the New York Convention and constitutional sovereignty safeguards.
- ✓ **Judicial Uncertainty:** Courts differ on whether failure to obtain government or parliamentary approval (under Article 139)

- nullifies arbitration clauses or merely delays enforcement.
- ✓ **Institutional Weakness:** The absence of clear administrative regulations for obtaining approvals or defining “public property” undermines predictability.
- ✓ **Emerging Reform Trend:** The 2024 Supreme Court interpretation marks a gradual shift toward balancing sovereignty with enforcement efficiency.
- ✓ **Practical Barriers:** Sanctions, procedural formalities (translations, notarizations), and state immunity still create substantial non-legal enforcement barriers [12].

**The public policy doctrine in enforcement practice**

- ✓ **Normative role of public policy in the New York Convention:** Article V(2)(b) of the New York Convention permits refusal of recognition or enforcement of an award if enforcement would be contrary to the public policy of the country in which enforcement is sought. National courts therefore retain a residual safeguard to protect core values, but international jurisprudence cautions against expansive uses of “public policy” to revisit merits. Iranian courts face the same tension: balancing deference to arbitration with constitutional and public-interest considerations.
- ✓ **Iranian courts’ approach:** breadth and unpredictability: In practice Iranian courts have sometimes construed public policy narrowly limited to core constitutional principles and prohibitions and at other times broadly extending to economic policy, public interest, or matters touching state prerogatives. The jurisprudence has been uneven partly because domestic courts must reconcile LICA and the Convention with article 139 and because guidance on the scope of “public” vs. “private” disputes is fragmented. Recent academic analyses and notes document the oscillation and call for more doctrinal clarity.

**National sovereignty and Article 139: practical problems at enforcement**

**Identifying “public and state property”:** A recurring problem is the definitional ambiguity of “public and state property.” Contracts using state guarantees, concessions, or involving state enterprises may implicate public property protections even when the dispute concerns private law obligations. That ambiguity means

an award-creditor may face petitions to suspend or refuse enforcement on article 139 grounds, even when parties believed their contract to be purely commercial. The question of whether approval had to be obtained before arbitration, or whether post-hoc ratification can cure arbitral jurisdictional defects, is contested.

**Administrative approvals:** timing, scope and political risk: The procedural requirement of Council of Ministers (and sometimes Parliamentary) approval creates practical obstacles: (a) approvals are discretionary and politically inflected; (b) the process lacks standardized timelines; (c) sensitive cross-border disputes may be delayed for political reasons; and (d) ambiguity exists about whether a failure to obtain prior approval vitiates arbitral jurisdiction or only impacts enforcement. The lack of a clear, accessible administrative pathway for obtaining approval undermines predictability. Recent Supreme Court commentary has begun to refine interpretation but has not fully systematized practical procedures.

**Sovereign immunity and enforcement against state property:**

When award debtors assert sovereign immunity or invoke protections for state assets, enforcement may be practically impossible. Iranian law and practice provide limited avenues for piercing immunity where a state has waived it, but proving a valid waiver and locating seizable assets within Iran or abroad is difficult. Moreover, when awards touch contracted public services or privatization projects, competing claims about public interest further complicate execution [13]. Table (2), shows the National Sovereignty and article 139 Practical Problems in Enforcement of Foreign Arbitral Awards in Iran.

Table 2: National Sovereignty and article 139 Practical Problems in Enforcement of Foreign Arbitral Awards in Iran

Practical Problem	Legal / Institutional Basis	Real-World Impact	Illustrative Example / Precedent	Scholarly or Judicial View	Proposed or Emerging Solutions
Requirement of Governmental and Parliamentary Approval for Arbitration Involving Public Property	Article 139 of the Iranian Constitution; Law on International Commercial Arbitration (1997)	Delays or invalidation of arbitration clauses in contracts involving state-owned entities (SOEs) or public funds	Crescent Petroleum v. NIOC and similar cases involving the National Iranian Oil Company	Courts often treat lack of prior approval as a jurisdictional defect, rendering awards unenforceable	Establish a standardized administrative procedure for prior or post-facto approval under article 139
Ambiguity in the Definition of “Public Property” and “State Property”	Constitutional and civil law interpretation	Confusion over whether entities like NIOC or state banks qualify as public or commercial entities	Divergent rulings by Tehran General Courts and Arbitration Center cases	Scholars (e.g., Fazeli, 2023) argue for functional criteria commercial vs. sovereign activity	Codify a clear statutory definition distinguishing sovereign vs. commercial acts

					(acta jure imperii vs. jure gestionis)
Broad Interpretation of Public Policy Exception	Article V(2)(b) of the New York Convention; Iranian Civil Code Art. 975	Courts invoke “public policy” to reject enforcement even for neutral or commercial awards	Tehran Court of Appeal (2018) refused enforcement citing “national interests”	Fazeli (2023) and Darzi-Naftchali (2017) note an overexpansive use of “public policy” tied to sovereignty	Develop judicial guidelines narrowing the meaning of “public policy” to fundamental principles of justice, not economic interests
Judicial Discretion and Lack of Consistent Precedent	No binding precedent system; judiciary independence in interpretation	Inconsistent decisions among courts on identical contractual situations	Contradictory rulings between different branches of Tehran and Isfahan courts (2017–2022)	Nikbakht & Seifi (2022) highlight doctrinal fragmentation	Establish a specialized arbitration enforcement chamber within the judiciary
Interaction Between Article 139 Approval and International Commitments (e.g., New York Convention)	Conflict between domestic constitutional supremacy and treaty obligations (Art.77 & 125 of Constitution)	Enforcement uncertainty for foreign award creditors; diplomatic complications	Cases reported by ICC/ICLG (2024) show awards stalled despite treaty membership	International experts emphasize that dualism in Iran prioritizes the Constitution over treaties	Adopt interpretive alignment recognize treaty commitments as consistent with Art.139 under executive oversight
Absence of Institutional Mechanisms for Approval and Supervision	Lack of implementing regulations for article 139	Bureaucratic ambiguity no designated body to issue approvals or supervise compliance	Ministries and SOEs interpret “approval” differently	Gharavi (1999) calls this a “procedural vacuum” undermining legal certainty	Create a central approval authority (e.g., in Ministry of Justice or Legal Affairs Office) to standardize practice
Sovereign Immunity in Enforcement Against State Assets	Public International Law and Iranian enforcement procedures	Award creditors face obstacles in attaching or executing against state-owned assets	Enforcement attempts in European jurisdictions (e.g., UK & France) often blocked by immunity claims	ICLG (2024-2025) notes that Iran broadly applies immunity, even to commercial SOEs	Promote limited or restrictive immunity for commercial activities, aligning with global trends

**Key Observations**

- ✓ The dual character of the Iranian state as both a commercial actor and sovereign entity creates structural ambiguity under article 139.
- ✓ Courts often prioritize national sovereignty and “public order” over international enforcement obligations.
- ✓ The absence of clear implementing mechanisms leads to inconsistent practice, bureaucratic delays, and unpredictability for foreign investors.
- ✓ A trend toward reform is visible: the 2024 Supreme Court interpretation allows post-facto approval, reducing some rigidity.

To reconcile sovereignty with enforcement predictability, Iran may adopt a “controlled openness” model maintaining constitutional

safeguards while developing specialized enforcement procedures.

**Procedural and evidentiary hurdles in Iranian enforcement proceedings**

Judicial review and scope of review: Although the New York convention discourages merits review, Iranian enforcement courts frequently examine jurisdictional questions, procedural due process, and public-policy concerns. The domestic court’s role in scrutinizing arbitrators’ jurisdictional decisions and the award’s consistency with public policy can result in de novo assessment that resembles merits review contrary to the international trend of limiting review to narrow exceptions. This extends enforcement timelines and raises transactional costs [14].

**Document production, translations, and procedural formality:** Practical issues such as the need for certified Persian translations, authenticated

copies of awards and arbitration agreements, and strict compliance with procedural formalities create additional time and expense. Discrepancies in paperwork often give Iranian courts procedural grounds to delay or refuse recognition even where merits objections are weak. Clearer procedural checklists and streamlined court guidance could reduce such friction [15].

**Interaction with sanctions and foreign policy constraints:** International sanctions regimes (UN, EU, US, and other unilateral measures) may indirectly affect enforcement: domestic courts or state bodies may be reluctant to authorize enforcement that requires cross-border transfers or dealings with sanctioned entities, and banks may be unwilling to process enforcement-related transactions. Awards ordering payments that would implicate sanctions risk being characterized as contrary to “national interest” or public policy thus creating a de-facto enforcement barrier even where formal legal grounds under the convention are lacking. Recent commentary highlights the problem of sanctions as a novel, extrajudicial public-policy concern in enforcement contexts [16].

#### **Representative jurisprudence and recent developments**

Recent supreme court decisions and administrative practice show a gradual trend towards clarification. A 2024 supreme court ruling engaged article 139 and offered interpretative guidance that some commentators view as an incremental boost to arbitration prospects by delineating the scope of required approvals and limiting categorical refusals. Nonetheless, these developments do not fully remove uncertainty because (a) case law remains fragmented across branches and lower courts, and (b) statutory implementing regulations and administrative procedures remain underdeveloped. Scholars and practitioners nonetheless point to the rulings as constructive signals that, if implemented through regulation, could reduce enforcement risk.

#### **Comparative perspectives: lessons from other jurisdictions**

Other civil-law jurisdictions with constitutional or public-interest exceptions (e.g., some continental systems, and certain developing jurisdictions) manage the article V public-policy defense by narrowly construing “public policy” and issuing administrative protocols for state approvals when state assets are involved. Iran could draw on such comparative practice to craft (1) a narrow, judicially controlled concept of public policy that focuses on core constitutional norms, (2) clear statutory tests for what constitutes public/state property for arbitration purposes, and (3) an administratively predictable approval pathway to expedite compliance with article 139. International best practice emphasizes

limiting enforcement refusals to exceptional cases and avoiding merits review.

**Reform proposals and practical recommendations:** To reconcile enforceability with legitimate sovereignty concerns, this article proposes the following reforms:

1. Statutory clarification of “public and state property.” Amend LICA or issue a complementary statute to define exhaustively which contracts and assets fall under article 139’s approval requirement, and whether authorization can be prospective or retrospective.
2. Administrative implementing regulations for article 139 approvals. Create a transparent, time-bound approval process (including standardized application forms, clear criteria, and defined periods for decision) to reduce political uncertainty.
3. Narrow judicial doctrine on public policy. Encourage appellate and supreme court guidance that construes the New York Convention public-policy exception narrowly limited to fundamental constitutional principles so courts do not relitigate merits.
4. Model consent/waiver provisions for state contracts. Promote contractual language by which the state or state-owned enterprises give express waivers of immunity and a commitment to obtain pre-arbitration approval where required.
5. Judicial and administrative training. Provide specialized training for judges and administrative officers on international arbitration norms, the Model Law, and the limited role of public-policy review [17].
6. Mechanisms to navigate sanctions issues. Establish clear guidelines (legal and practical) to handle awards implicating sanctioned parties e.g., escrow, neutral payment channels, or domestic enforcement mechanisms that do not require prohibited transfers—so that sanctions do not become automatic public-policy blockers.

These measures would preserve article 139’s protective aim while enhancing predictability and compliance with international obligations.

#### **Conclusion**

Iran’s formal alignment with international arbitration norms via the New York convention and LICA creates a foundation for effective enforcement of foreign arbitral awards. However, constitutional protections for public and state property (article 139), the flexible public-policy exception, and procedural/administrative weaknesses continue to impede reliable enforcement. Recent judicial clarifications are promising but incomplete. Targeted reforms (statutory definitions, implementing procedures, judicial doctrine, and administrative training), combined with carefully drafted contractual waivers and practical

mechanisms to address sanctions-related complications, can reconcile legitimate sovereignty concerns with the demands of international commercial arbitration. If implemented thoughtfully, these reforms would reduce uncertainty for creditors and investors and better align Iran's practice with the object and purpose of the New York Convention.

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