



The Scope and Influence of the Full Security and Protection Standard:
A Bilateral Approach for Decision Making Within International
Investment for Iran

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I dedicate this research paper to my beloved wife whose constant support motivated me on this academic journey

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Acknowledgement / Copyright

In the acknowledgement of this thesis, we thank all the people who helped our research. For example:

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ABSTRACT

This thesis explores the role of Full Protection and Security Standard (FSP) in international investment as well as the scope of due diligence to apply the standard. It should be considered how this standard whose target is to protect the foreigner investors could influence decision making when this matter is analyzed within foreign investing initiatives.

Despite its great value and beneficial effects for foreign investment, this matter needs further analysis and thorough understanding, all of this because literature related is so narrow. In this sense, it is carried out a complete depiction in theoretical terms regarding the role of security standard in international investment as likewise the scope of due diligence obligation towards business transactions among enterprises and its impacts on foreign investment. Similarly, it is carried out a bidirectional study based mainly on the study of the Islamic Republic of Iran. Therefore, in this thesis an innovative multicriteria decision making technique is proposed, based on a paper for international market selection, in order to explore the best potential option for investing from Iran. In the same way, it is considered a field survey, where are analyzed the data of some European firms regarding their perception for trading and investing with Iran.

In consequence in this research, it was contrasted the facts and official data with the theoretical content besides the opinion of the respondents. All of this with the implementation of a case study, organized in two parts of “Case Study A” and “Case Study B” each of them with a specific approach. Hence, in the “Case Study A”, the Iranian investor’s approach to Europe is considered based on a multicriteria method, and in the “Case Study B”, the European investor’s approach to Iran is examined. This last, based on a survey for measuring perceptions of internationalized enterprises from Europe mostly located in Austria.

This is the reason why the current thesis includes a study with a bilateral approach, first of all, a multi-criteria validated technique is reproduced, in this case with 24 countries

considering the official data (*i.e.* secondary sources) to complete the selection of the best country for investment from Iran to European Union (EU). Then, on the other hand, in this section is also included a convenience sampling arranged for more than 16 Iranian business respondents. This is to define, with a structured technique, known analytic hierarchy process (AHP), the percentages for each environment and variables proposed on this study (*i.e.*, weights for each criterion of the technique) on their views and experience. In this way, it will be possible to understand which factors influence within due diligence environment for foreigner investors since the role of full protection and security (FSP).

It is worth mentioning, secondly, to complete the “Case Study B”, it was adopted another type of non-probability sampling that involved the perceptions (*i.e.*, primary sources) of 17 respondent’s enterprises from Europe (mostly from Austria) potentially interested in investing in Iran. Accordingly, with this information, it was completed tables, figures, and other types of schemes in the results to explain the items that firms consider essential for developing new business opportunities from European perspective.

Finally, the document presents the conclusions, reflections, and future lines regarding all this research. Hence, the evidence suggests that the country study’s security standard and due diligence theme is a theoretical construct because mostly this matter is referred to the enterprise analysis before signing contracts. However, all these issues should also be considered from the entire analysis of countries as well to reduce the uncertainty in investment transactions. Regarding the previously indicated bilateral approach, which pursuit to support the investing from the due diligence and security standard, the results also show to Czech Republic, Belgium, and Rumania as the best options for investing from Iran, considering the proposed multi-criteria technique for the analysis of the EU as potential market for investing. Likewise, respondent’s perceptions from Austrian firms interested in investing in Iran consider physical protection of capital, assets, investors, equal treatment for citizens and foreign investors are critical for potential investments.

Keywords: Investor Security, Security Standard, Due Diligence, Multi-Criteria Decision Making, Iran, Europe.

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LIST OF ABBREVIATIONS AND ACRONYMS

AAPL	Asian Agricultural Products Ltd
CIA	Comprehensive Investment Agreement
AHP	Analytic Hierarchy Process
ASEAN	Association of Southeast Asian Nations
BITs	Bilateral Investment Treaties
CI	Consistency Index
CILI	Civil Liberties
CPIN	Corruption Perceptions Index
CR	Consistency Rate
CRRE	Country Risk Report
CUDI	Cultural Distance
DAUN	Depositary Agreements United Nations
DEIN	Democracy Index
DOBU	Doing Business
DPR	direct proportional relationship
DPV	Directly Proportional Value
EU	European Union
FDI	Foreign direct investment
FET	Fair and Equitable Treatment
FETS	Fair and Equitable Treatment Standards
FIPPA	Foreign Investment Promotion and Protection Act
FSP	Full Security and Protection Standard
GIIN	Global Innovation Index
GLIN	Globalization Index
GPIN	Global Peace Index
GTIN	Global Terrorism Index
ICSID	International Centre for Settlement of Investment Disputes
ICTN	ICT Development Index
IAs	International Investment Agreements
ILC	International Law Commission
IMS	international minimum standard
IMF	International Monetary Fund
INEF	Index of Economic Freedom
INRE	International Reserves
IPR	inverse proportional relationship
IPV	Inverse Proportional Value
ITO	International Trade Organization
IUIP	Individuals using the Internet percentage

JCPOA	Joint Comprehensive Plan of Action
LAPFI	Law of Attraction and Protection of Foreign Investment
MEIN	Media Integrity
MFN	Most Favored Nation
MIGA	Multilateral Investment Guarantee Agency
NAFTA	North American Free Trade Agreement
NT	National Treatment
OECD	Organization for Economic Co-operation and Development
RRIN	Region Risk Index
RI	Randomness Index
RQs	Research Questions
RTPV	Risk of Terrorism and Political Violence
SDGs	Sustainable Development Goals
TOPSIS	Technique for Order of Preference by Similarity to Ideal Solution
UNCTAD	United Nations Conference on Trade and Development
UN	United Nations
VAR	vector autoregressive
WTO	World Trade Organization

1. INTRODUCTION

As globalization expands faster, the varied world market, shaped by different countries, has become joined every time in only one; this is because the investment field has reinforced, and countries have been progressively allowing inflows of foreign investment. The developing, emerging and transition economies have been the prime to liberalize their foreign capital regimes and chase various policies to attract investment (Chaudhuri, 2014; UNCTAD, 2020). Every foreign investor requires certain support when investing abroad. In this regard, different international investment standards have been formed. One of them is the standard of full security and protection (FSP) (Mahyari & Raisi, 2018).

In this manner, it is clear foreigner investment can be affected by several external factors, such as riots, wars and revolutions, and a vast serial factors and variables, which can impact directly investing in host countries (Singh, & Yadav, 2016; Mersland, Nyarko & Sirisena, 2020; Baena-Rojas & Bonilla-Calle, 2021). In this thesis, it is observed why full security and physical protection, as an international investment standard, is needed and what factors may influence a society to require such standards. Then, after identifying, as much as possible, all these factors and potential variables that integrate them; it was essential to turn them into usable data. That is the reason it was necessary to identify reliable sources and official databases from the World Bank, the International Monetary Fund (IMF), Transparency International, Hofstede Insights among too many others.

In addition to this, in this thesis is examined the scope of responsibility of the hosting government regarding physical and security protection. Therefore, three main questions are investigated. First, what is the Full security protection standard and why is this standard important in the international investment field. Second, how far the scope of due diligence in this standard goes and finally the paper considers what factors can influence the investors and investors whose result is to need this standard. In fact, it is deeply analyzed how and why standard of FSP could be required, and which conditions cause the investors to demand this standard.

In doing so, the current proposal tries to understand all important factors causing riot, chaos, or instability in a society for foreigner investors. Then, to complete an innovative approach this thesis considered some relevant publications linked to multicriteria techniques on International Business for processing and normalization data. In this way, the thesis was inspired in some papers from Baena-Rojas, Castaño-Villa, & Tabares-Castrillón (2016), Baena, Cano & Campo (2018), Cano, Baena, & Campo (2018), López-Cadavid, Vanegas-López & Baena-Rojas (2020), Baena-Rojas, Vanegas-López, & López-Cadavid (2021), Vanegas-López, Baena-Rojas, López-Cadavid & Mathew (2021) and Baena-Rojas, López-Cadavid, Mackenzie-Torres, & Muñoz-Parra (2022). All of them which worked for international markets selection but in this case were adapted in order to establish a tailored technique for investing purposes from standard of FSP's perspective.

In consequence, it was proposed some environmental investing factors, fully documented with a literature review, such as Economic, Political Security, International Relations, Technological, Civil and Cultural that all may end in stability or instability of a society. Likewise, all these factors were proposed with some variables following the previous papers and all their approaches.

It is in this way that, the current research focuses on one of the most important requirements for any international business or commercial transactions and that is security of foreign investors. This is why this proposal try to connect all legal and business factors influencing on foreigner investors and hosting country in relation with standard of FSP. Then, each of the mentioned factors is analyzed with three variables which allow understanding why all these factors are relevant for the security of investors and the analysis of different states with different conditions and concrete features that finally can impact the decision making when business firms try to select new options for investing.

Similarly, it has been chosen Iran as the main case study because after the revolution in 1979, an atmosphere of insecurity arose in this country and many investors left the country. This in turn led to numerous disputes between investors and the host state. On January 19,

1981, the Governments of the United States of America and the Islamic Republic of Iran established the Iran-United States Claims Tribunal to resolve, inter alia, disputes then outstanding between United States nationals and the Government of Iran arising out of “expropriations or other measures affecting property rights.” Since then, the Tribunal has issued approximately two dozen awards discussing a broad range of factual and legal issues surrounding such claims (Brower, 1987; Katzman, 2010). In addition to this, Iran could be a good example since the presence of sanctions have caused major problems for the country’s economy for foreign investment since 1979 and many Iranian business activists have also tried to move their capital from Iran to other countries (Ilias, 2010; TIME, 2016; Nasr, 2018).

However, despite all these previous problems with Iran, recently economic sanctions against this state started falling, that is why several major international investors moved to this Persian country. For instance, after lifting the economic sanctions, different Swedish and Russian businessmen arranged to invest in Iranian digital markets. In recent years, some companies in Iran, like Café Bazaar, Iran’s main Android marketplace, and Digikala, could increase their assets surprisingly in the next five-year term. This is because that foreign investors in Iran enjoy the same supports and privileges that are offered to the Iranian investors. In this regard, like Iranian investors foreign investors pay the equal amount of taxes. In the same way, tax exemptions and discounts have, further, been established equally for both foreign and domestic investors. Therefore, the situation is very interesting, especially in terms of market size, to invest in social media in Iran and even in other different sector despite the challenges to overcome and even the existing of some prejudices nowadays (Moniruzzaman, Kazi, Al-Atiyat, & Mahmood, 2014; Dudlák, 2018).

The security and protection of investors and their property in host countries are indubitable factors that change an investor’s decision to invest. One of the most important and obvious interests of investors is the security of their property and assets in host countries (Sultana & Pardhasaradhi, 2012). The subject of security of investors and investments has found its own way in treaty provisions and agreement clauses. Protection and security of foreigners and their property was continually improved during history, mainly through treaties, custom, and domestic rules. Provisions relating to entry of investments by foreign investors in

a host country are usually found at the very outset of international investment agreements on the promotion and protection of investment. This subject is not interesting only for the investors, but for host countries based on many reasons such as the fear of influencing the economy and politics in the country which will be analyzed further in the thesis. There are many bilateral treaties whose role is to assure the safety and security of investors and investees. During the last few decades, some wordings and customs have been accepted by many countries as standards of international investments (DeBrabandere, 2015). On the other hand, with the increase of the security level of foreign investors in the host country, a positive step will be taken to attract foreign investment and add to the turnover of the host country's economy. Therefore, ensuring the security of foreign investors is a matter of importance for both parties to a bilateral or multilateral investment agreements and treaties. Although the security standard has been mentioned in the majority of agreements and treaties, it has been raised rarely by investment tribunals. The concept of protection and security standard demonstrate assurance and a type of guarantee of physical protection for investment and foreign investors. The host State undertakes a bond to contribute actions of providing security against enforced trespassing by an organized action such as terror or by people such as crews, partners, demonstrators and rioters. Furthermore, the security standard is also provided against violent interference by State authorities such as intelligence or police departments (Snider, 2019).

This issue has been challenged from time to time, as well as the jurisprudence and even business literature on investor security. Hence subject appears more indistinct and unclear when one examines the rules and practice of investor protection in developing countries such as Iran. In such countries there is always the risk of riots, revolution, and inflamed situations. For example, in the last two years the world has witnessed various protests and demonstrations in Iran. The emergence of these protests started around 40 years ago after the 1979 riots. But these demonstrations have intensified in the last decade. Almost all these protests led to severe suppression and were for various reasons: economic poverty, water shortage, social constraint, economic problems etc. Such hard situations are a huge risk for any kind of business and legal entity (Amnesty International, 2021; Radio Farda, 2021; Filin, Fahmy, Khodunov & Koklikov, 2022).

In this manner, a company that has accepted the risk of investing in these countries has the absolute right to demand a rigorous framework to protect itself and its property from physical damages. While the scholars have implied about the background of the problem regarding international investing, there exists no considerable criteria of literature on the security standard and its due diligence especially in countries such as Iran. This is why, the current paper or thesis offers a disruptive academic approach. All this, where the present research establishes, through multicriteria technique based on environments and factors mainly, a new and innovative way for analyzing countries scientifically from due diligence for support investing in the best way possible.

Indeed, this thesis explores the roles of the standard of FSP Standard in attracting foreign investors and its possibility to uphold this investment standard in developing countries. It should be considered how physical damages or security problems could influence an investor's decision. It is also very important to recognize which conditions may cause a society to end in riots and how the damages could be compensated when they are as a result of unsafety in the hosting country.

The investment standards have been in progress and improved from decades ago. But the relation between the current standards and the former standards shows that there are some standards which have been more neglected and, in the gaps, even though their impact on international investment is undeniable. One of the most apparent gaps is for the Full Protection and Security Standard investors (Junngam, 2018; Mantilla-Blanco, 2019; Miljenić, 2019) that will be explored by this research.

It can be said, then, that providing security requires contributing due diligence obligations towards foreigner investment. The investor has the right to have safety when importing capital to the hosting country. Now, the question is how far the government's responsibility goes. The scope of this particular due diligence has been previously assessed only on a very limited scale and still the comprehensive mechanism of this standard is vague. As a due diligence lever, legal procedures in place to enforce this security and to assure the foreigner investors,

especially in the developing countries, can be subject to various rules. From general protections in domestic investment law to bilateral agreements that explicitly state security standards or can be deduced from other articles of the agreement, all have specific legal processes (Schreuer, 2010; Ryk-Lakhman, 2019; Manciaux, 2019; Monebhurrin, 2020).

In practice, the impacts of the verdicts issued by tribunals and arbitrators in defining this standard, and the impact of such verdicts on foreign investment are very remarkable. Previous studies can only be considered a first step towards a more profound understanding of the impact of investment standards in attracting investors in a more general context. This field closely influences the paradigm of issues that will arise if the investors are not supported. Hence, this research will extend the previous literature in the field gradually and broaden the legal and business mechanism it is proposed to ensure the safety of foreigner investors against physical assaults or legal expropriations and will deeply observe how the investors think about different aspects of their investment specially regarding the physical protection of their business entity.

As a matter of fact, Iran has always been involved in creating international law practice after the Islamic Revolution, and the problems of international investors in this country have never been studied from a security perspective, especially physical security. According to the previous sections, it can be surely admitted that no research, even in Iran, has examined the security standard of foreign investors in Iran, due diligence, and its impact on foreigner investors. After the revolution of Iran in 1979, many properties and investments belonging to foreigners have been physically seized. In some cases, the property was not directly taken out of the possession of the foreigner owner, but it was indirectly expropriated. The *Starrett Housing vs Iran* (1983) in which the foreign investor had not been expropriated formally but a local “temporary manager” had been put in charge of the project, can serve as an example. The Tribunal found that this amounted to an expropriation (Iran-US Claims Tribunal, 1983; Aldrich, 1994; Owolabi, 2018; Hossain, 2018).

Iran has created many approaches after 1979, which highlight the need for investor support. Like the direct and indirect expropriation that took place in various cases with the coming to power of the Islamic government (Brower, 1987; Hossain, 2018; Younesi, 2021).

As sanctions increase and the investment atmosphere becomes more difficult, especially in terms of investment security in Iran, it has taken on a special situation, and investors must consider many aspects, both in terms of business and law. Even the austerity towards the Iranian government went so far that in 2018, the United States withdrew from the long-term agreement with this country, which had been signed many years before the 1979 revolution (VOA, 2018; Bahgat, 2022; Tierney, 2022).

The sanctions imposed on Iran's economy have created a special and limited environment for economic activists and foreign investors. After the Joint Comprehensive Plan of Action (JCPOA) in 2015 and the removal of many sanctions, the entry of foreign capital into Iran increased, but in 2018, with the decision of President Trump, the United States withdrew from the JCPOA, and with the imposition of newer sanctions, the conditions of investment and in Iran are a difficult issue for multinational companies. If these companies wanted to engage into monetary exchanges with Iran, contrary to the wishes of the United States, they would have to pay a heavy price for fines or be banned from doing business with the United States. The role and status of European companies is very important because some of these companies wanted to continue investing in Iran despite the sanctions. After re-imposing the sanctions, the treatment of European investors has not been the same. Many of them stopped investing in Iran again, and another part reduced the amount of investment or continued investing under certain conditions (Adesnik & Ghasemnejad, 2018):

The biggest EU-based firm is Renault of France. It promised in 2017 to stay in Iran even if the U.S. reinstated sanctions. However, and in the end, Renault stopped its activities in Iran.

Since sanctions do not apply to food and medicine, Switzerland's Nestle has continued investing. Despite British Airways and Air France-KLM having canceled service to Iran, Lufthansa continued flights to Iran that do not conflict with U.S sanctions. Together, China, Russia, and Turkey account for 10 of the 19 firms perhaps to stay in Iran. There is a longer list of companies that have left. Unsurprisingly, American companies such as Boeing, Honeywell, Dover, and General Electric plan to comply (Adesnik & Ghasemnejad, 2018; Jennison, 2020).

However, there are still loopholes for investment in Iran and for Iranian investors to invest abroad. For example, despite the hard financial sanctions, some banks such as Oberbank in Austria opened accounts for Iranians and facilitated the flow of capital in the country (Mondaq, 2017). Over time, in order to prevent direct and indirect expropriation or any other damages to foreigner investments, some standards have been put into place (Reinisch, 2008).

An inner single market has been set up through a standardized framework of regulations that apply in all the members, and only those matters, where the governments have agreed to act as one. EU policies point to guaranteeing the free movement of individuals, products, services, and investments inside its market (European Commission, 2007). “In 2020, Iran was the EU’s 56th biggest trade partner. 17.5% of Iran’s imports came from the EU and 5.1% of the country’s exports went to the EU. The EU is Iran’s 2nd biggest trade partner, representing 12.3% of the country’s total trade in goods with the world in 2020” (European Commission, 2020).

The EU has its own parliament that’s free from the US, and it is additionally completely distinctive with China and its economic system. Containing 5.8 percent of the world population in 2020 the EU had produced (GDP) of around US\$17.1 trillion in 2021, constituting around 18 percent of worldwide ostensible GDP (Europa Glossary, 2009).

Iran has been facing many difficulties regarding the sanction of America and many countries are not interested in accepting Iranians. In fact, it was necessary to provide an example to compare countries and bring a tangible result for this current project however there was only Europe as it was a large market and still few tiny possibilities for Iranian to invest there.

The thesis not only looks at foreigner investors who intend to invest in Iran but also has special surveys to investigate Iranian business activist’s mind set for bringing capital in European countries and how they decide about the role of standard of FSP in their investing process. This is why, the proposal adopts the term bilateral considering the double direction adopted in this paper. By designing two specific surveys containing questions regarding the

factors lending influence to attract foreign investments in this research, not only the former researches have been used but also whole new kind of questions have been formed which are answered by the usage of the figures, graphs, and data analysis.

By examination of the history of the standard of protection and security it was found that the standard has its roots in an old principle of international investment law, in specific the principle that imposes on a state the obligation of protection of aliens and their property within its borders. Over time, in order to prevent direct and indirect expropriation or any other damages to foreigner investments, some standards have been put into place (Reinisch, 2008; Safari, 2018; Deldar, Jalali & Raisi, 2021).

This elemental assumption has been so well recognized that individual states have accepted it in a number of cases since the 19th century. Instances can be discovered where governments have without any specific enforcement being declared against them paid remuneration because of damage caused to foreigners or, in some cases, individuals that would in relation to the current legal framework governing foreign investment be considered investors (Junngam, 2018; Puig & Shaffer, 2018).

This standard requires an obligation by the host state to conserve the foreign investors and investment from violent struggles. It also involves an action of protection against harsh interference by private persons and parties. Several agreements and treaties included provisions that distinctively refer to wars and armed struggles. The clauses of protection the investors from war and armed conflict only guarantee non-discrimination when it comes to action provided to restorative the results of wars and armed struggles. Some treaties contain further clauses a definite obligation of restitution or compensation whether demanding or destruction of investments (Hernández, 2013).

A violation of the security of investors requires a prosecution of diligence on the part of state agents. The connection between the security standard and the perception of due diligence is one of the most consistently confirmed assertions of present-time international investment law. simultaneously, even so, no concept metalized to have been more consistently misty in

theory and practice. The clear-cut quandary is what due diligence conveys in this ambience or, more precisely, the framework due diligence attains for the configuration of the host state's manner and activities (Ryk-Lakhman, 2019).

To this point, the issues do not consider to be all-inclusive problems the security and protection standard give rise to. In light of this situation and for preventing endless arguments, the standard of protection and security might be regarded as a pile of instances of the problem of uniformity and monotony that has grown with the development of international investment law in the past decades, compels us to find a harmonious and predictable exercising the security and protection provisions of international investment agreements (Sipiorski, 2020).

One of the most important aspects of problems regarding this standard is the scope of liability of the hosting country. As the investors argued in several investment treaty arbitrations the obligation to provide full security shall be interpreted as an imposing strict responsibility. In favor of the host states, arbitral awards have often been far revoked to hold states to an absolute liability. Nonetheless, the next tribunal ruling on this provision may well consider that the ordinary meaning of this phrase does indeed provide a strict and absolute guarantee. Despite the fact that arbitral awards have not fostered a strict responsibility, the level of due diligence contemplated by states is high (Lorz, 2015).

The effects of wars and confrontations on investment security is an important matter of discussion. The related treaties to the security of investments and investors do not substantially become irrelevant in situations of armed confrontations and wars. Actually, some of the provisions in these treaties are provided to supply security in case of violent interference. Nevertheless, some of these treaties include broad protection provisions that release host States from abeyance to the treaty's substantive standards in aggressive and urgent circumstances (Dolzer & Schreuer, 2012). Observing the history of debates about the scope of liability and how far this standard should protect the investors, gives us the lead that the security standard does not vary from other principles in international investment law.

Despite its incredible merits and advantageous impacts for foreign investment, the standard security and due diligence as an influential factor for foreign investment needs substantial examination and intensive understanding, all of this since the related literature is so limited. Doing such research and obtaining qualitative and quantitative analytical results will have many benefits for all types of foreign investment parties. Having a theoretical framework, a rigorous technique for identifying ideal countries for investing, and besides reveal perception of European and potential investors for knowing the legal points in international transactions will be not only useful but also essential for finding new approaches in this type of business operations. Similarly, the proposal will give a real perspective, far from prejudice and based on measurable results; then, foreign investors, host states, lawyers, managers, and business owners can all benefit from such results.

1.1 Research Questions (RQs)

1. What is the definition and scope of FSP, and other investment standards, in investor's decision-making?
2. What is the business and legal framework to provide protection and security for foreign investors in Iran?
3. What are the most relevant variables and environments related to security, insecurity and FSP related issues and what is their influence on business decision-making?
4. What is the useful tool for identifying the best country for investing for firms from Iran interested in the EU, considering FSP and other investment standards?
5. To what extent could security, insecurity and FSP related issues influence decision making of foreigner investors especially in countries such as Iran?

1.2 Significance of the Problem

The above explanations show that standard of FSP and due diligence are important issues in the international investment and business. Although this standard is widely used in treaties today, there is still disagreement over the scope, its definition, and its impact on investor's decisions. This issue is directly related to the work of investors in host countries and their

security. The importance of this issue is reflected in developing countries where social events disrupt the security of investors. The problem of investor security has not been thoroughly reflected in business science, and legal regulations and treaties do not clarify the real will of investors and their approach to the problem of insecurity in certain situations.

1.3 Nature of the Study

The first part of the methodology relies on a modified version of Schreuer (2010) and Junngam (2018) in which definitions and explanations are provided in a descriptive way about the importance and identifying the standard and its due diligence. However, the paper includes another view from other authors in order to complement the theoretical section which will support the next parts of this proposal.

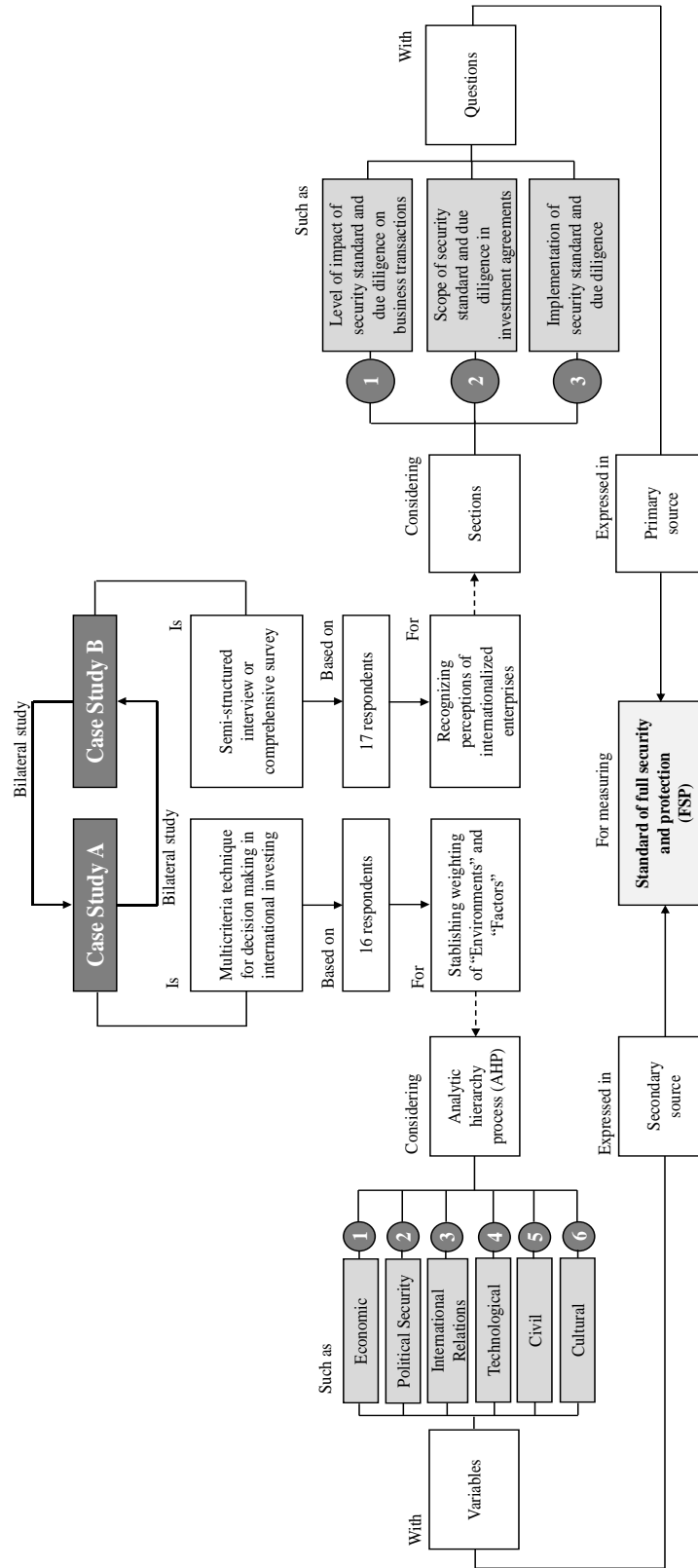
The second part include methods and techniques to explore the concept of standard of FSP from a bilateral perspective. Therefore, the “Case Study A” is designed to identify in the most rigorous way possible those states from the European Union (EU) more suitable for investing from Iran. This multicriteria technique has been developed considering all published works of Baena-Rojas, Castaño-Villa, & Tabares-Castrillón (2016), Baena, Cano & Campo (2018), Cano, Baena, & Campo (2018), López-Cadavid, Vanegas-López & Baena-Rojas (2020), Baena-Rojas, Vanegas-López, & López-Cadavid (2021), Vanegas-López, Baena-Rojas, López-Cadavid & Mathew (2021) and Baena-Rojas, López-Cadavid, Mackenzie-Torres, & Muñoz-Parra (2022). All of them which allow to identify the best possible option for exporting merchandise considering diverse criteria that can affect the decision making of firms interested in participating on international business. Therefore, this thesis adjusted with new proposed factors (called in this paper “environments”), each of them shaped by variables also as the original technique. In this way, the proposed environments such as: Economic, Political Security, International Relations, Technological, Civil and Cultural; are fully supported through the current theory on standard of FSP for investing in different markets abroad.

This second part, designed for decision making for investing in international business, considers different official databases. Each source with numerical values that allow describe some patterns for each variable and for each environment successively, establishing in this way a comprehensive assessment. All of this after a process called “normalization” where this numerical information is transformed in a score between 1 to 10 after applying a special formula. It should be added that that each environment and variable were also weighted according to Iranian firm’s opinion interested in investing to EU. This weighting process was completed with a short survey focused in 16 Iranian firms, which latter permitted to adopt Analytic hierarchy process (AHP) usually employed for organizing and establishing priorities in complex decisions, based on mathematics and psychology. Hence, this technique determined the percentage weight for each environment and variables of this study.

In “Case Study B”, the thesis analyzes the perception of firms located in the EU with the potential of interests in investing in Iran. This is conducted considering a second survey applied in the EU (among some firms located mostly in Austria) and the goal was to recognize their true conceptions about investing in other states abroad, in this case Iran. This case study is based on a semi-structured interview or comprehensive survey conducted among 17 firms. These firms are occupied in major business and major economic activities in the EU. Therefore, taking into account the accessibility, the current study asked various economic actors in Austria if they were interested in Iran. In this manner, afterwards it was examined enterprises who were familiar with business and law of this Persian country.

In sum, the bilateral approach for decision making within international investment for Iran addressed in all this study; is based on two different techniques which look for to develop a rigorous method, see Scheme 1, in order to support the decision making on international business from the standard of SFP and due diligence.

Scheme 1. Critical factors for investing from the EU to Iran according to some firms



Source: Own elaboration

In this manner, the case studies of A and B are the two main and complementary parts of the quantitative research in this thesis. These two case studies are designed to reach a comprehensive result with two complementary views and using different methods.

1.4 Statement of the Purpose

This research aims to examine the standard of FSP and due diligence with regard to investor's decision-making from both sides of developed countries (The EU and mainly Austria) and developing countries (Iran). This thesis focuses on contributing to the existing literature by linking business and legal aspects on one hand and real opinion of investors and theoretical knowledge on the other hand. Therefore, this study aims to cover the later knowledge gap by examining how standard of FSP and due diligence affect investor's decision-making and how the topic is evaluated in both business and legal world.

2. LITERATURE REVIEW

To find related theoretical and rigorous sources in the field of foreign investment security on international business, including research, legal texts, and arbitration awards, it has been consulted different repositories, journals, books, and electronic sources. In the field of descriptive research, Jstor, WorldCat, ResearchGate, Elsevier, Google Scholar are a well-known source of relevant past research. Indeed, the lack of business and legal research on the security standard is a general phenomenon, and it shall not be expected to find an ocean of research on the Internet or in reputable university libraries. However, Italaw, International Centre for Settlement of Investment Disputes (ICSID) Case Law Database, Kluwer Arbitration and Westlaw were the best databases that have compiled the legal practice from the beginning until now to review the real cases and arbitration awards issued in the field of this thesis.

Below the literature of the thesis subject are reviewed under 6 sections:

2.1 Procedure for Literature Selection

The collection of resources in this research, like the thesis approach, is multidimensional and for each part of the research, a special method of collecting resources has been used. For surveying on due diligence to measure total value per variable, the researcher searched for the most official, valid indexes and statistically updated research literature. The thesis referred to the statistics that are often done by official and international institutions, and their results are made public on the Internet through the official databases of these centers. Websites such as the Economist, official websites affiliated with the United Nations, the IMF, the World Bank, and several other popular and reputable research databases provide a valid assessment of each of the variables to perform this part of the methodology. This part is mostly related with commercial and business aspects which provide essential information for processing data and statistics for the results of the current research.

2.2 Studies and Sources

The current doctoral thesis focused on the theoretical analysis obligations of state and rights for foreign companies towards foreigner investment. All of this, concerning protection and security standards in developing countries (specifically based on the Iran case) and developed countries (The European Union [EU]). In doing so, it has focused on investment standards, especially the standard of protection and security and how this standard has grown and expanded during the last few decades and what impacts it may have on foreigner investment in addition to its boundaries and obligations and what differences may exist in practicing such standard between developed countries and developing countries.

Hence, the current research has two different parts. One part is related to theoretical discussions and business and legal texts related to the standard of FSP, and the other part is related to the surveys that are specifically designed for this thesis. To write theoretical content, it was used the most relevant and authoritative descriptive sources in the legal and business literature on the subject. In this regard, research that descriptively or comparatively examined the legal bases and procedures related to standard of FSP. Then, below, by going into the depth of related studies, examining their most important results, and comparing them with each other; the thesis tries to examine and analyze the most relevant works recently publish as well as some relevant classic papers about foreign investing and FSP in international business.

In this section, it is examined the sources and studies linked to the research topic. These studies deal with any influence on the evolution of literature and have been effective in writing the thesis. The literature is reviewed in 3 separate parts. These 3 parts refer to the literature on each section of the thesis. Taking into account the bilateral point of view in the case studies A and B, as well as considering the theoretical framework, the first part is about related empirical studies on investment from Austria; in the second part, the studies on investor protection theory are examined, and in the third part, empirical studies on investment in Iran are explored. At the end of the research literature review, a conclusion has been written about the status of the research literature in relation to this document and what this thesis intends to include as practical and theoretical contribution in academia.

2.3 Related Empirical Studies on Investment in Austria

About this thesis and business explorations especially Case Study A and B, it can be said that there is a small extent of literature. In theoretical terms exist diverse literature about the profile or types of international informal investors where precisely, it can be found a profile based on the Austrian heterodox school of economic thought. This profile indicates some relevant features of some type of international investor which moves toward economic equilibrium *i.e.*, this type of international investor conservative who seems to prefer not to speculate. This is because, this profile of investor considers their decision of investment proposals, based on monitoring data, and, not least, their backgrounds. In this way, this type investors invest more actively, into the advanced stages category of firms with more experience regarding any other type investors (Erikson, 2007). Hence no similar study has been conducted in evaluating the factors of due diligence that affect the choice of a country for investment or researching the real perspective of international investors to choose a country with the attitude for security standard and the scope of due diligence.

According to the last, this is why the multi-criteria technique presented in this thesis is relevant because this tries to promote the analysis of foreign investing from a theoretical as well as practical perspective. In this manner, the approach takes into account some potential environments which enterprises should consider before directing their assets and financial resources to another state. Then, within these environments underscore some such as economic, Political Security, International Relations, Technological, Civil, and Cultural.

Therefore, it is relevant to point out that the technique adopted in “Case Study A” can be used for analyzing different countries and markets from the foreign investing and FSP perspectives. Obviously, in this case, the study considers the EU but this does not mean that current approach cannot be used in other regions or zones worldwide.

The technique implemented in this work is totally adapted according to the criteria that can impact the foreign investing in international business. That is to say, the current thesis is

inspired in different papers published by Baena-Rojas, Castaño-Villa, & Tabares-Castrillón (2016), Baena, Cano & Campo (2018), Cano, Baena, & Campo (2018), López-Cadavid, Vanegas-López & Baena-Rojas (2020), Baena-Rojas, Vanegas-López, & López-Cadavid (2021), Vanegas-López, Baena-Rojas, López-Cadavid & Mathew (2021) and Baena-Rojas, López-Cadavid, Mackenzie-Torres, & Muñoz-Parra (2022). All these documents describe a remarkable tool for decision making in the field of international markets selection for exporting merchandise. Their research is a type of new approach in accordance with the most up-to-date methods of statistics and analysis of data.

Hence, the considered papers developed a method that has been used in this project and is also an interesting way to change any type of data and information to a 10 punctuation's scale. In this sense, it is possible to have tangible results for evaluating markets as potential segment for investing.

The designers of the method have already used the tool in their studies with an important academic acceptance considering cites and feedback after its spreading in conferences and other dissemination events. In other words, the current thesis customized and emulated later the tool to compare and analyze the environments and variables in regard security and insecurity of the host states within foreign investing. In this way, this thesis turned the data regarding protection and security of the foreign investors to numbers and numerical values.

In addition to presenting a new framework as their main topic, obviously because the thesis is not focused on the same aim of the original technique; however, the formula and this entire technique results relevant and perfectly fits with the purpose of this study related to the analysis of the due diligence of countries when a specific firm tries to look for the best possible alternative to invest for.

2.4 Studies on Investor Protection Theory

Descriptive studies, mostly written in the field of international law, treaty law, and international investment law, and international business examines distinct aspects of the security standard. A group of researchers would examine the investment protection standard by focusing on what is said only in the treaties and the words from which such a standard is derived. Precisely, authors like Schreuer (2010) and Junngam (2018) have explored the rights and obligations arising from the standard of FSP with an in-depth look at treaties. Assuming that not all investment treaties contain such a standard and have not followed the same procedure in this regard, these authors try to clarify the unclear and dark points of the standard by interpreting the arbitral awards and the historical course of a few cases in the field of standard of FSP.

In a similar way, Fuchs, Pika, & Müller (2022) re-evaluates the scope of implementation of the standard and due diligence by studying the formulations and linguistic tools used in the treaties. As a comparison between these works, Junngam (2018) has tried to offer a more comprehensive view. For this reason, he examined the historical course of the standard from ancient times and studied issues such as the customary nature of the standard and its scope. The conclusion in this article, especially in the field of scope, has ambiguous points and without comprehensive arguments, the inclusion of legal protection in the standard is accepted. This thesis attempts to draw an open-minded conclusion by studying the scope in more detail. Schreuer's research on FSP begins with general statements but discusses the two sections in more detail. One is the comparison of fair and equitable treatment (FET), and one is the strict responsibility of the host governments. However, his work is more concise than Junngam's research. In this research, the subject of territory has not been discussed enough, and in practice, that author has left the decision on the issue and only reported the debates in the research literature. This thesis has tried to fill that gap by analyzing the real opinion of investors in FET with a more realistic and business-based analysis. They are all in addition to assessing the real opinion of investors in the most important arbitration awards.

There is no denying that there has been very interesting research in this field. For example, some studies have outshined important aspects of the security standard. With the passage of time and further application of the standard, these aspects have found the

opportunity to show off and be researched. In this way, Miljenić (2019) and Derains & Sicard-Mirabal (2018) explored the general and plausible assumption with a different perspective. Most authors and arbitrators consider physical protection to be the only thing the standard addresses, but these studies collect other views on the inclusion of the standard and its dualism on other issues such as legal protection¹.

In the related fields such as discovering the factors affecting the attraction of foreign direct investment, research has been done that is not unrelated to the subject of the methodology and the results of his research. In the most recent, Brada, Drabek & Iwasaki (2021) undertook a meta-analysis of the effects of international investment agreements for the protection of foreign investors on foreign direct investment using 2107 estimates drawn from 74 studies. Their meta-analysis finds robust evidence that the effect of international investment agreements is so small as to be considered zero. However, the results do not rule out the possibility that the effect of these agreements is, in fact, positive and that current research methods are insufficiently powerful or precise to identify the underlying genuine effect. Foreign direct investment (FDI) from developed countries appears to be more responsive to the existence of investment protection, and there is evidence of publication–selection bias in favor of studies that find a positive effect for investor protection.

Other studies from Malik & Abbas (2011) examined the level of due diligence required by states that are, whether the standard is a strict liability standard or limited to the customary international standard for the treatment of aliens has triggered much debate before investment treaty tribunals. One of the arguments that causes weakness and gaps in this research is the comparison of FET with FSP, which could have given a better view for due diligence in this research.

¹ This concept refers to the legal guarantees that apply to transactions between companies of different nationalities or foreign companies within a state, which facilitates or increases the level of investments in a country within the dynamics of international business. Thus, to evaluate an investment many variables are considered, from the point of view of the business, such as markets, competitors, macroeconomics of the country where I want to make investments, among other various aspects. All of them, which facilitate the decision making from the logic of investment protection, even allowing an entrepreneur to go to international courts if considers absence of guarantees (Blanco, 2019).

Likewise, Schill (2010) has a contribution for studying physical protection, but it was not the main topic of his book. This issue and its relationship with other standards were examined briefly. However, this book was published almost a decade ago, and the necessity of exploring current jurisprudence is plain.

Given the literature relevance of the influence of investment protection treaties on FDI and the distinctions in methodologies employed to study the subject, scholars have evaluated the conclusions that the literature considers certain directions. For instance, in one direction, critical surveys of the several studies included in the literature, that is why Jacobs (2017) criticizes monadic research on the basis that they do not properly account for the economic characteristics of the countries with which the host country has signed Bilateral Investment Treaties (BITs), nor do they effectively account for other host country policies towards FDI that may have effects as, or more, important as the signing of BITs. It should be noted also Pohl (2018) presents a more detailed survey in which he explores over 30 studies. Then, this author concludes that:

(...) The vast majority of the existing studies do not offer a satisfying answer to the question whether international investment agreements (IIAs) influence capital allocation in treaty partners. This is due to conceptual problems regarding the notions of FDI on the one hand, and IIA-based investment protection on the other, which are common to all reviewed studies. Many of these problems are likely to be non-randomly associated with variables of interest, thus leading to important bias and invalid results for the research question.

This thesis is a complement to Pohl's research and by applying the multi-criteria technique and considering investment environments with multiple variables, it can help to complete the situation of attracting more FDI with the investor security approach.

Similarly, Echandi, Krajcovicova, & Qiang (2015) reviewed the studies in the subject over time from early research to current studies. He found that the issue of the impact of international investment agreements on attracting investment has had a successful course in

the research literature, and over time research in this field, especially in terms of methodology, has found a multidimensional aspect.

In addition to the research literature Collins (2011) has reviewed the FSP standard for digital assets and conducted a new study alongside previous research. This article regards the likelihood that digital property of foreign investors for example computer systems, blogs and websites could be protected by FSP standard that is common to many BITs. He clarified that Such assets can properly be recounted as investments and “(...) the flexible nature of the standard of FSP standard observed in recent arbitration practice could be extended to cover civil disturbances such as cyber-attacks against companies.” Although this research has a new and interesting topic, it leaves gaps even in its main subject. Legal protection as one of the two main types of protection offered by academics along with physical protection is an issue that can be related to digital property and the means of implementation and duplication of it. Digital assets cannot be physically protected due to the different nature of this type of property. In this thesis, an empirical attempt has been made to further explain the differences between these two types of protection, and even the results of the quantitative research in this thesis can be applied to digital property and in completing Collins’s article.

Other studies such as DeBrabandere (2015) looked for establishing a comprehensive framework for decision making of arbitral tribunals which have concerned or will be applied of the due diligence standard in international investment law, by framing a typology of the divergent applications of the standard about the commitments of the host State. This author explored the role of due diligence in the law governing State responsibility, and the application of due diligence in the customary norms relating to the protection of foreigners stating: “(...) Based on these two sections, it next discussed the principle in contemporary investment law, focusing on the application of due diligence in the standard of FSP, the international minimum standard (IMS) and the fair and equitable treatment (FET) standards of treatment”. This article is very valuable in the analysis of due diligence, its legal roots, and related standards, and is a comprehensive and leading article. But in contrast to this thesis, the theoretical discussion in his research has prevented the creation of a framework based on what is real and what is happening in global business. What was done in this thesis as a multi-criteria and bio-approach

research filled a large part of his research gap, and if it is put this thesis next to that research, it is possible to see that the subject of due diligence, if not studied in the most complete way, is one of the most complete examples in the current business research literature.

In the same way, Foster (2012) inquired and revealed that treaty drafters have long understood protection and security as requiring a specific and limited form of legal security. He discussed that the fair and equitable treatment standard came from the same customary norm, but that the two standards have evolved to become conceptually distinct in important ways. This current paper utilized “the interpretation suggested by his analysis to critique modern treaty jurisprudence and the current U.S. approach to drafting investment treaties.” Although his paper aims to provide a framework for decision-making, it is more about legislators, members of governments and international organizations that are more concerned with drafting treaties than foreign private investment. Compared to the above research, his article is an effective step in explaining the theory of foreign investment protection, but its implementation with due diligence is something that has been neglected.

A closer look at the literature on investor protection and security, however, reveals several gaps and shortcomings. Each of the recent academic works that the author examined in the following studied only an aspect of all this research topic at the most relevant concept. Although the security of investors has always been a major factor, the security standard as a distinctive provision with all its special levers is still a new concept in investment agreements (Clasen, & Clegg, 2007; Foster, 2012).

In fact, the thesis tries not to almost focus on some form of the factors of attracting foreign investors exclusively, due diligences related to financial and suing processes, among others. Hence, as it was noted earlier, more work is necessary to explore the comprehensive aspects of protection. Using the most important research findings above, this thesis is a new step towards completing the research literature in the FSP and due diligence (Sinaga, Gnych & Phelps, 2012). By employing two approaches, this thesis has tried to open a new way in the research method on similar topics in addition to the theoretical recap of the previous studies.

2.5 Empirical Studies on Investment in Iran

Iranian lawyers, business specialists, and economists have covered a lot of research on the factors of attracting foreign investors, yet the issue of investment standards have not been discussed in further details. Among many related subjects of international investment and investment standards, the issue of foreign investor security in Iran has not been much more addressed only covered economic issues (Falahatii, Mehnatfar & Sepahban-Gharebaba, 2018). Once again, the author of this paper looks for academic research covering business and legal aspects of the mentioned standard with a closer look to its scope of liability. The analyzing and comparing other works will be followed:

The Islamic Parliament Research Center (2020) provided an empirical study on the requirements for the optimal attraction of foreign direct investment in Iran. As a result of this study, four main factors for attracting foreign investors were identified with the influence of successful countries. One of these factors is investors' security. However, the official report looks at nationalization and the limited inflow of foreign investment due to the weakening of indigenous science and technology. In the section related to foreign investor security, it states: "(...) In any case, the entry of foreign investors into the country can lead to threats such as the possibility of weakening the country's science and technology capacity, creating the influence of multinational companies in government". These phrases indicate that the Islamic Republic still has some challenges to overcome despite the changes and openness regarding foreign investment. Therefore, the current study, it is relevant for finding new approaches for ensure a higher margin of reliability in decision making not only for Iranian enterprises, but also other firms located around the world. The other comparable study is from Hosseinzadeh (2003) which examined the items that directly affect the investment in Iran; then it was concluded one of the main issues deals with the current assessment that a destination for investing.

This is why, among the main challenges of this country highlight the irrational government intervention in the economy, the structure of Iran's economy, political issues (restriction of parties, the impossibility of full use of citizenship rights such as freedom of expression, government control over the mass media, popular dissatisfaction with the rulers

for reasons such as unemployment and severe economic problems, insufficient political stability), legal issues (lack of transparency in contracts, lack of up-to-date and appropriate laws, the existence of legal ways to expropriate private property by the government, severe restrictions on foreign ownership within the country, double standards of the government with foreign and domestic investors), security issue (foreign policymaking enemies, ethnic conflicts inside, the imminent danger of conflict with US and Israel) (Doudangi, 2016; Rafat & Farahani, 2019). In this way, it is clear that Iran is a complex destination for investing and the government need to ensure some stability regarding FSP. In any case, Iranian firms have to look for new opportunities abroad because these actions will allow that economic openness to keep moving forward specially because investing procedures are not exclusively unidirectional.

In other words, some works can be understood as a good step to discuss the real problems of attracting foreign investment in Iran and at the time was a new topic in the Persian research literature. In comparison, with the research conducted by the Research Center of the Islamic Parliament, it can be said that the issue of security of foreign investors as one of the factors of attracting FDI has been raised more seriously and has gone directly to revealing the real obstacles. However, and in comparison, with this current study, the main subject of that research is the study of factors of repulsion and attraction of FDI in Iran, and the issue of investor security has been mentioned as one of the factors and the study of due diligence and the legal framework of investor protection was not examined at all (Hundt & Horsch, 2018).

Among other relevant publications Teymour & Joneydi (2017) sought to fill the gap in the research literature by examining the legal basis for the protection of foreign investors in Iran and its analogy with international law. They explore the international legal law in the field of protection of foreign investors by expressing the types of legal protections over time and examining the international dimension of investment treaties. The study has also reached conclusions about the Iranian legal system in protecting of foreign investors, such as proving that despite the silence of the “Law on Protection and Attraction of Foreign Investment” about double taxes, this type of investor protection is customarily implemented by stating that no double tax is levied in most bilateral agreements in Iran. In comparison to above studies, this article studied the general obligations of foreign investor protection in Iran, including the

provisions of the Multilateral Investment Guarantee Agency (MIGA) for protection of foreign investors that Iran Joined as well. In comparison to this thesis, their study deals with Iran's international obligations to protect foreign investors but does not dig into how to implement these obligations in accordance with domestic law and also the effect of the implementation of these obligations on foreign investors in Iran. Their research left much less of a gap if they revealed the aspects of due diligence as a great legal basis for investment protection.

Also, Ghanbari, Jahromi & Vesali (2015) after studying the government's responsibility in customary rules of international law to protect investors, address the issue of an investor's contractual rights that can be expropriated properly. The authors wrote that the Iran-US Tribunal had accepted expropriation of contractual rights in various cases. For example, in *Amoco International Finance Corporation versus Islamic Republic of Iran* (1987) the tribunal found that the expropriation could extend to contractual rights. This article discusses the legal protection of foreign investors, believing that not only in theory but also in practice it is possible in international law that governments grant their citizens the right to sue under a public international treaty. The most obvious example is the Iran-US Tribunal, which was established under an international treaty. The tribunal argued for a special type of legal protection where nationals and individuals of the two governments were given the right to sue in a tribunal that has the legal nature of a public international tribunal, not a private court. Although this research does not have the main title of protection of foreign investors, it is a special work in the Persian research literature that explores the legal protection of investors in Iran and the files of one of the most important centers in this field for producing legal decisions, the Iran-United States tribunal. In comparison to this thesis, the main topic of that research is not the security of foreign investors in Iran, but during the review of Iran-US lawsuits and the Iranian government's obligations to foreign investors, incomplete points are made about the court's decision on investor security.

Similarly, Hosseini (2011) tried to answer the questions by accurately and objectively recognizing the general and ambiguous content of the minimum standard of protection as well as by examining the view of governments towards this issue in this internationally agreed standard. In fact, it is desirable for this article to show the ambiguities and inadequacies of "the

minimum standard of security”. By exploring the content and examples of “minimum international standard of security and protection”, this research concluded that this rule, while specific to the rights of foreigners in general and does not specifically address investors and their investments, is in fact the general and ambiguous type of standard. In comparison to the thesis and above studies, this Persian language paper makes only small references to the security of foreign investors in Iran, and its main subject is global obligations without pointing out the obligation of due diligence.

Other authors as Atai (2009) outlined an overview of the treatment standards that foreign investors expect to receive once they establish their investment in Iran in terms of the guarantees and protections available to them under Iranian laws. These include the advantages and privileges provided by the Government to foreign investors who invest in the free economic zones in Iran. The evaluation of the standards is to determine the extent of protection that is suggested in the Investment Promotion and Protection Act 2002 (FIPPA), and it examines the protections and securities covered by it, especially in the free economic zones of Iran. This author concludes that the Iranian laws protect foreign investors from non-discriminatory and national treatment standards in compliance with international law and in economic free zones foreign investors are protected from restricted transfer of funds overseas including capital, profit, and instalment payments. Compared to the mentioned studies, this research has a new look, and an attempt has been made to fill gaps in the Persian research literature, but by limiting the discussion in the free economic zones of Iran, it has not been able to scrutinize the protection of foreign investors as discussed in this thesis. In fact, this thesis, applying both legal and business approaches, can examine the issue of foreign investment protection in a much more comprehensive and even can go beyond because this proposes a methodology potentially applicable with many other countries also.

Likewise, Kazi (2014) explored the determinants of FDI of the Islamic Republic of Iran based on those of Malaysia that has been successful in attracting FDI since the early 1980s. This article studied Iran’s specific laws to protect foreign investors throughout history. The author of this article believes that Iran has been seeking more protection for foreign investors since the 2000s especially by adopting policies to dismantle barriers and attract FDI in 2002.

After its Law for the Attraction and Protection of Foreign Investment in Iran (LAPFI) Iran adopted a second major act in 2002, precisely the FIPPA, some major policy changes towards showing more protection and security of foreign investors that would be in Iran. This research can complement the mentioned studies in the field of legal foundations of protection of foreign investors in Iran, but in comparison with this thesis, it has never been able to create a comprehensive and fact-based framework. In addition to examining the legal basis for the protection of foreign investors in Iran and the world, this thesis has used methods that depict the current state of this standard in global business and the preferences of enterprises.

Regarding the legal framework Safari (2018) study also the state of the media industry and the possibility of foreign investment, has tried to reveal the limitations in Iran for investment in general and especially for the media industry. These restrictions are mostly caused by laws and regulations in Iran, and in that research, the author has tried to show these restrictions under the headings of the media investment space. The issue of investor protection has been raised, but it only refers to areas such as taxes and freedom of transfer of goods and services, but, unlike this thesis, it has not examined FSP and due diligence on foreign investment systems in Iran. Indeed, this may be more due to the specific topic of his research, but it has also briefly reviewed the FIPPA in the section of laws governing investment in Iran addressed also in this thesis.

Other authors as Rafat & Farahani (2017) have examined the country's risk and its relationship with foreign direct investment. In this research, by collecting data from 1985 to 2016, they have tried to scrutinize the relationship between political risk and the entry of foreign investment into Iran during these years. They divide country risks into several categories including economic risk, transfer risk, political risk, sovereignty risk and exchange risk. But among these, they have researched the political risk more precisely in the methodology according to Iran's situation. In this research, although the factors endangering the security of foreign investors are discussed, there is no discussion of FSP, due diligence, and in general, tools for restoring investor's rights and ways to reduce country risk. In their research, it has been concluded that external conflicts, moral conflicts, and religious tensions have a significant effect on the inflowing of foreign investment into Iran.

All the same, Rafat (2017) in another research, has studied the relationship between economic growth and foreign investment. She has extracted the necessary data from foreign investment and economic growth in Iran between 1994 and 2014. She has called her methodology vector autoregressive. In that research, it has been concluded that the relationship between direct investment in Iran and economic growth is positive and effective, and both influence each other.

In this sense, the theory about international investment in Iran nowadays offers some detailed explanations, precisely Ensafi Azar & Behbahani (2022) examined the situation of foreign investors in relation to incentive regulations for foreign investments, and their specialized area of research is foreign exchange. Therefore, it is not related to the topic of the thesis, but it references one of the factors that can cause the insecurity of investors in Iran. That is the high fluctuations rate of the exchange market. This is effective in knowing more about the factors that foreign investors should be protected from.

In the same line, Belayet-Hossain (2018) studied the issue of foreign investor protection, and Iran is the case study. But most of his research has been spent on reviewing arbitration cases on expropriation and protection from the aspect of expropriating the assets and property of foreign investors. However, in some cases without referring to the aspect of physical protection and FSP, he examines some cases that are also referenced in this thesis. In recent years, research projects have been done about foreign investment in Iran. Although many of those are not directly related to the topic of this thesis in terms of FSP and due diligence, they help to better understand the situation and atmosphere of foreign investment in Iran. Below Table 1 compiles some of these recent and relevant research works.

Table 1. The Persian research literature on the thesis subject

Title of research	Explanation	Source
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Affecting Factors on investment security in Iran	The main subject of this research is the study of factors of repulsion and attraction of FDI in Iran, and the issue of investor security has been mentioned as one of the factors and the study of due diligence and the legal framework of investor protection was not examined at all.	(Bahraini, 2003)
Legal measures to protect foreign investor ownership in Iranian and international law	This study examined the international legal law in the field of protection of foreign investors by expressing the types of legal protections over time and examining the international dimension of investment treaties. Although this study deals with Iran's international obligations to protect foreign investors but does not examine how to implement these obligations in accordance with domestic law and the effect of the implementation of these obligations on foreign investors in Iran.	(Teymour & Joneydi, 2017)
Evolution of the international responsibility of the government in international investment law	This research, after studying the government's responsibility in customary rules of international law to protect investors, addresses the issue of an investor's contractual rights that can be expropriated properly. The authors wrote that the Iran-US Tribunal had accepted expropriation of contractual rights in various cases. The main topic of this research is not the security of foreign investors in Iran, but during the review of Iran-US lawsuits and the Iranian government's obligations to foreign investors, incomplete points are made about the court's decision on investor security.	(Ghanbari Jahromi & Vesali, 2015)
Minimum international standard of security and protection of foreign investors	This article tries to answer the questions by accurately and objectively recognizing the general and ambiguous content of the minimum standard of protection as well as by examining the view of governments towards this issue in this internationally agreed standard. This Persian language paper makes only small references to the security of foreign investors in Iran, and its main subject is global obligations.	(Hosseini, 2011)
Standard of Treatment of Foreign Investment in Iran	This article outlines an overview of the treatment standards that foreign investors expect to receive once they establish their investment in Iran in terms of the guarantees and protections available to them under Iranian laws. The writer concludes that the Iranian laws protect foreign investors from non-discriminatory and national treatment standards in compliance with international law and in economic free zones foreign investors are protected from restricted transfer of funds overseas including capital, profit, and instalment payments.	(Atai, 2009)

Source: Own elaboration

Finally, within the empirical studies, it is important to point out, on the other hand, a few related with decision making techniques for investing apart of the previously indicated. This is the case Kazemi & Beyk (2013) researched with the purpose of identifying the factors in technological research that are effective in attracting foreign investment and ranking them using multicriteria methods. The statistical population of this research is university professors and officials (responsible people in factories and manufacturing companies, experts, mining and trade industry, members of the chamber of commerce). This article concluded by ranking 33 identified factors preventing the attraction of foreign investment. In order of priority, 1.

Exchange rate 2. Expected rate of return and 3. The government policies for foreign investment security and protection are the three main reasons for decrease in attracting of foreign investment in Iran through recent years. The rationale for this article is to invest in a country or industry with the feeling of security. This article states the factors that create insecurity in the investment environment in Iran based on the images provided by international risk assessment organizations. Obviously, there are a few options for analyzing countries or markets but in any case, the technique for order of preference by similarity to ideal solution as a method for multi-criteria decision analysis is another potential alternative apart the selected for all this study (Hwang & Yoon, 1981; Askarifar, Motaffef & Azaami, 2018).

2.6 Conclusions about the literature review

The expansion of international investment and the unstable situation in some countries requires for enterprises to identify the factors that provide investor security, especially in developing countries such as Iran and its impact on foreign investors. However, it is possible to conclude that some aspects of standard security have been researched in the international business and law literature, but no research has ever been done in theory and practice comprehensively. In fact, previous studies were limited to some narrow and limited aspects of this standard. However, this thesis argues that the previous literature suffers from certain weaknesses in assessing the real influence of security standards and due diligence on real international investors and investment.

Iran as well as the EU were the main segments for this work and besides the case study for international investing analysis within the current thesis. Then, they were selected not only for the availability of data and information, but also for the interest of the researcher and author, Iranian citizen but European resident, in go further regarding the general perceptions that investors in international business can have regarding Iran. This is because this Persian country has always been involved in creating legal issues on international business especially during the second half of the last century.

In this way, problems of international investors in this country from the approach of standard of FSP have not been studied depth, especially in bidirectional phases with the EU. Therefore, according to the previous sections, it can be surely admitted that no research, even in Persian, has examined the security standard of foreign investors in Iran. Either the due diligence, and its influence on international investors, just like this thesis pretends with the current disruptive methodology and approach.

In fact, both in Persian and Latin investigations, the issue of the security of foreign investors and the host states duty towards them was examined either only from a legal point of view or only from the point of view of business research methods. Especially in countries such as Iran, where the issue of security of foreign investors is prominent, there was no research that creates a link between business and legal findings and adds to the existing research literature in both fields by using newer methods.

Therefore, even this research can be a potential starting point for Iran enterprises interested in investing abroad in a remarkable market as the EU. In the same way, the results derived from primary source or survey applied in European investors, from Austria mainly, can be also a starting point for Iranian policy makers in order to improve some details in the current legal framework that undermine the possibilities of investing in this Persian country. Similarly, Iranian, and European (Austrian) investors may have a more comprehensive view for decision-making in international investing procedures based on FSP.

This thesis also made efforts to identify many gaps in the literature on the topic and provide a more realistic view of the international investor community and host states by implementing a combination of methods in business and legal study.

This view, in fact, has a pragmatic dimension from the view of investors and, on the other hand, sets a standard for attracting foreign investment by better observing due diligence to host countries or investors. It seems there are not many explorations into the legal basis of FSP, but in recent years, there have been scholars, indicated above, who have approached the

issue from the perspective of contracts and treaty terms. However, in the business field such research is unprecedented and can be a reference for the future in this area.

The Impact of FSP and due diligence on international investment from a technique for decision making besides a case study for reveal investor opinion's is a topic different and innovative for analyzing the Iranian case. The measurement of these effects was based on two different approaches: a multicriteria technique for decision making in international investment focused on the EU and a survey for identifying perceptions in European firms regarding Iran.

In other words, this thesis is, on the one hand, a benchmark for measuring due diligence in order to select a better country based on official data normalized in an engineered reliable formula. On the other hand, a benchmark also for identify perceptions, through a survey, which provides direct information for local Iranian stakeholders.

3. METHODOLOGY

This doctoral thesis was focused on the theoretical and empirical analysis of obligations of state and rights for foreign companies in terms of foreigner investment. This concerns protection and security standards in developing countries (specifically based on the Iran case) and developed countries (The EU, focused on Austria mainly). In fact, this project has a dual approach and two different faces. From one side, it is analyzed investment law and related subjects, and on the other side, it has focused on an international business-related subject. In doing so, it focused on investment standards, especially the standard of protection and security and how this standard has grown and expanded during the last few decades and what impacts it may have on foreigner investment, in addition to its boundaries and obligations and what differences may exist in practicing such a standard between developed countries and developing countries. This follows the goal of the thesis, which is to help business procedures to decide about investees and risk for capital movement. Likewise, to clarify in the best way possible, the RQs in the following Table 2 are described the sections where each of them are solved within this work. All the last according to this kind of studies where the formulation of the hypothesis is based on different queries which have to be tested (Pryor, 2010; Kross & Giust, 2019).

In this sense, the study focused in the following RQs and the thesis tries to answer each question in detail:

1. What is the definition and scope of FSP, and other investment standards, in investor's decision-making?
2. What is the business and legal framework to provide protection and security for foreign investors in Iran?
3. What are the most relevant variables and environments related to security, insecurity and FSP related issues and what is their influence on business decision-making?
4. What is the useful tool for identifying the best country for investing for firms interested in the EU, considering FSP and other investment standards?

5. To what extent could security, insecurity and FSP related issues influence decision making of foreigner investors especially in countries such as Iran?

Table 2. The structure of RQs and answers in the thesis

Research Question	Response Methodology	Related Titles in the Thesis	Brief Explanation
<p>1. What is the definition and scope of FSP, and other investment standards, in investor's decision-making?</p>	<p>Qualitative</p>	<p>2.2.1 Standard Origins</p> <p>2.2.2 Scope of standard of Full Security and Protection (FSP) as a customary standard of international business</p> <p>2.2.3 Scope <i>Ratione Materiae</i> of FSP and due diligence</p> <p>2.2.4 Due Diligence and the scope of it</p> <p>2.2.5 Fair and equitable treatment (FET) and other international investment standards</p>	<p>The FSP standard gives physical protection to the foreign investor and in case there has been damages due to the insecure conditions, then it could be compensated. While the idea of standard is widespread, there are no univocal definitions of it in legal science. Scholars have attempted to distinguish standards from other types of norms, thus avoiding their use as an umbrella concept. In this section, the question is whether or how the notion of standard could be useful or relevant for the evaluation of the standard of FSP (Diehl, 2012).</p> <p>The origin of the international investment standards is rooted in business traditions and customs. They give the foreign investor the chance of compensating properly in case of riot and loss, so it is significantly important for the investor to recognize the standards and the risk of foreign investment especially in unstable and insecure situations.</p>

<p>2. What is the business and legal framework to provide protection and security for foreign investors in Iran?</p>	<p>Qualitative</p>	<p>2.2.6 Investor protection in Iran</p>	<p>A crucial point in the history of foreign investment in Iran dates back the year 1955 when the government to control and secure the performance of foreign investments, in December 1955 adopted a code known as LAPFI 1955. After the revolution of 1979, the foreign investment experienced a great recession. After the 1979 riots, the parliament of Iran passed a second major act for foreign investment in 2002 or FIPPA.</p>
<p>3. What are the most relevant variables and environments related to security, insecurity and FSP related issues and what is their influence on business decision-making process?</p>	<p>Qualitative and Quantitative</p>	<p>2.2.7 The importance of decision-making in international investment 3.2 Case Study A 4.1 First part regarding the multi-criteria technique 3.3 Case Study B 4.2 Second part regarding the survey</p>	<p>The environments and variables are:</p> <p>Economic (Economic Freedom, International Reserves, Country Risk Report)</p> <p>Political Security (Risk of Terrorism and Political Violence, Global Peace Index, Global Terrorism Index)</p> <p>International Relations (Region Risk Index, Depositary Agreements United Nations, Globalization Index)</p> <p>Technological (ICT Development, Global Innovation, Individuals using the Internet percentage)</p> <p>Civil (Civil Liberties, Democracy Index, Media Integrity)</p> <p>Cultural (Corruption Perceptions, Doing Business, Cultural Distance)</p>

<p>4. What is the useful tool for identifying the best country for investing for firms from Iran interested in the EU, considering FSP and other investment standards?</p>	<p>Quantitative</p>	<p>3.2 Case Study A 4.1 First part regarding the multi-criteria technique</p>	<p>The thesis has used the multi-criteria technique and AHP for selecting a country for investing in the EU from Iran. This technique is employed to identify the factors and environments whose result would be stability and the best possible country for investing from Iran to the EU</p>
<p>5. To what extent could security, insecurity and FSP related issues influence decision making of foreign investors especially in countries such as Iran?</p>	<p>Quantitative</p>	<p>3.3 Case Study B 4.2 Second part regarding the survey</p>	<p>It is visible how significant the issue of FSP, and due diligence is for foreign investors. Most investors choose options that saw additional measures and frameworks (in addition to FET), but in this way, most of them did not go beyond reality and, in a larger view, were realistic. For example, most investors want to create a clear framework of due diligence that will keep them more secure in times of danger, such as riots, revolutions, wars, and so on.</p>

Source: Own elaboration

3.1 First part: Qualitative Research and Conceptual Analysis

In the first section, the thesis sought to analyze and go further regarding different issues related with FSP and due diligence on business transactions, as well as recognition of the level of impact of the security standard. This section is aimed to answer the first and second research questions:

1. What is the definition and scope of FSP, and other investment standards, in investor’s decision-making?

2. What is the business and legal framework to provide protection and security for foreign investors in Iran?

In this manner, the study tried to take a clear picture regarding the risk of riot and instability for investors and how the investment standard, specifically FSP, could be useful for supporting business assets. In this way, the current theoretical part collects books, articles, reports, among other sources, along with a discussion regarding how the hosting state is supposed to provide protection and if it is limited to physical protection or goes beyond this and if it does, how far is this expected in today's customs and practices in accordance with international business standards. Then it has been gathered data and information which is related to the concept of FSP in a non-numeric way that makes our research non-quantitative in this part.

The data of this part of the methodology could be defined as a descriptive as well as qualitative. Indeed, these two terms complement the technique embraced in this thesis which is basically mixed because adopts some descriptive approach for compile non numerical data as well as a statistical approach for analyzing measurable data (DeCuir-Gunby, 2008; Nassaji, 2015; Richards, 2020; Saldaña, 2021). The goal of required data in this descriptive research is to describe the phenomenon of FSP, due diligence and their characteristics. This part of data is more concerned with what rather than why or how something has happened. The qualitative data in this thesis, however, is more holistic and contains a rich collection of data from various business and law sources to reach an in-depth narration on the topic.

To answer the first research question in this section, the current paper has investigated the issues related to the meaning of FSP, its origin and how it could be important for a foreigner investor, especially when they intend to invest in countries with instability like Iran. The standard of security and protection of foreign investment is on the one hand, rooted in the legal literature and on the other hand, is related to the activities of business and their fate in the host country so this thesis tried to understand and analyze both sides to give a clear picture for potential future investors.

Conceptual or philosophical analysis in this section is utilized in order to “break down” the conceptual issues around FSP and due diligence. Conceptual analysis includes going into details or analyzing concepts to gain knowledge or a better comprehension of a philosophical issue in which the concept is involved (Braddon-Mitchell & Nola, 2009). For example, in the subsections

about the scope of FSP, part one breaks down how and why the scope is defined. All the data is a part of our qualitative and conceptual method of research.

By using qualitative research, the current study has taken a type of dual approach both from a business and legal point of view to understand the risk and possible compensations of the issue. Some of our research questions were answered in this part. Questions include the role of FSP standard in international investment, how this standard originated, how important this standard in foreign investment is, what is the scope of FSP, the scope of due diligence and how are they important for foreign investor's decision making. Hence, the qualitative part is collecting data about the concept of FSP in order to give a clear picture and description in response to the first and second research questions.

The information in this part includes texts that have been collected from qualitative sources, such as the text of books and business and legal articles and the text of arbitration awards. Thus, the data that are the same texts taken from the mentioned sources are described in this section of the research. Definitions and descriptive discussions in this thesis are mainly related with international law and legal frameworks. In addition, the customary aspects and the types of scopes discussed in this section are applied for Iran as subject of study. For the cases that occur in Iran under the subject of research, the same definitions and discussions provided in those far and wide within this paper, but the author has specifically dedicated one of these topics to being about protecting investors in Iran.

Similarly, by using qualitative research frequently uses language and words as the data. It can be written or oral and can be extracted by observation. Qualitative analysis is a general approach to data analysis that requires finding, interpreting, and reporting patterns of meaning within the data for the purpose of creating hypotheses instead of testing them (Haven & Van Grootel, 2019). Qualitative research is a common term that in its negative sense includes any research other than survey research. The data provided for this part of the thesis are extracted from a collection of documentary materials. What this form of research frequently has in common is a rejection of the survey method of researching, most particularly where data are extracted through closed questions using researcher-defined categories (Day, 2005). In addition, the qualitative data

collected over a sustained period allows them to be used for studying any process. This includes history, which this thesis uses to explore the origins and most relevant historical progress (Miles, Huberman, & Saldana, 2014).

Therefore, the first challenge to be faced in collecting data is the lack of homogeneity in data. In fact, the dual approach of qualitative research requires that data be collected from both business and legal sources. More purely descriptive data can be found in sources such as legal books and articles, as well as arbitral awards. However, this type of data is also available in business sources, but like this research in business, they have used more quantitative methods. It has been a challenge for the author to bring a mixture of both types of data and homogenize the two different forms of information in the same section.

The second challenge that the qualitative section faced is the time-consuming collection of related data and their analysis. Finding relevant and new business articles on the one hand and finding relevant data in the field of law on the other hand requires a long search and finding everything that exists in the qualitative literature on the subject.

Lack of resources is the third challenge of data collection in this part of the methodology. In particular, the business sources on the subject were few, and even the legal sources, despite the old background of FSP and due diligence, did not have many details in comparison to other legal subjects. Indeed, in this regard, the author's goal has been to be innovative and not repetitive in regard to the literature, and the lack of sources is limited to the point where the arrangement of a theoretical basis requires the evaluation of different perspectives. Then it was required data regarding the experience and opinion of other business actors, and the author needed this data to have a numerical face.

3.2 Case Study A: The multi-criteria technique for selecting a country for investing in the EU from Iran

In the second part, the thesis focuses on applying a multi-criteria method or technique in order to answer the third and fourth research questions:

3. What are the most relevant variables and environments related to security, insecurity and FSP related issues and what is their influence on business decision-making?

4. What is the useful tool for identifying the best country for investing for firms from Iran interested in the EU, taking into account FSP and other investment standards?

This technique is employed to identify the factors and environments that contribute to stability and the best possible country for investing from Iran to the EU. Considering all the unstable relations between Iran and the U.S, this work has concluded that Europe will be one of the most important options for Iranian investors. These investors who have suffered from various restrictions and sanctions from the U.S could tend to invest in European countries as an easier option in comparison with the U.S (CNBC, 2021; ECFR, 2017). Then there were questions regarding their security and protection and how this standard is affecting the decisions of foreign investors. When does an Iranian investor intend to invest in Europe, how do they mind issues such as stability and how is it important for the business actor to have an option of receiving compensation in case of physical damages?

Previously, it was already discussed why Iran and Europe, especially Austria, are our examples and how such examples relate to FSP in international business affairs. The current tool allowed us to identify some essential items for decision making in the due diligence and security standard process. In this way, the technique applied the theory pointed out in the literature review and similarly will carry out an interesting exercise for comparing scenarios with secondary data published on official websites from recognized international organizations and academic sources.

Quantitative research is described as social research that utilizes empirical methods and statements. An empirical statement is defined as a descriptive statement about what is the subject in the real world rather than what should be the subject. Generally, empirical statements are provided in numerical terms. Quantitative research is a type of research that explains phenomena by collecting numerical data that are analyzed using mathematically based methods, in particular statistics (Creswell, 1994; Stockemer, Stockemer & Glaeser; 2019; Rahman, et al., 2022).

In Case Study A, the project adopts a multi-criteria method in order to show, according to the objectives, why it is important for firms from Iran to take into account different issues related with the environment of the potential markets and countries for investing. This approach is merely a structured technique for organizing and analyzing complex decisions, based on mathematics and psychology. With the AHP the current study's "multicriteria method" achieves a higher level of rigor; this is because the proposed environments, as well as variables, that affect the choice of foreign market for the investment within due diligence (which have been justified in Table 3 with different secondary resources and even some theorists) receive a percentage. Then, these percentages are not established arbitrarily because the AHP allows for determining a percentage for each environment and each variable according to the research questions. Obviously, that is why in this research, 17 surveys with internationalized companies or firms which perfectly know about due diligence when they look for another potential scenario for investing were considered. In this way, these 17 samples or considered firms, from their expertise, defined, using AHP, what exactly was the order of importance with a percentage for each environment and each variable.

Due to the restrictions and sanctions on Iran (TIME, 2016), and on the other hand, that the author of the thesis is an international student with limited and specific facilities, 17 companies were brought together for this section.

AHP has a special application in group decision making and is utilized worldwide in a vast variety of decision situations, in fields such as government, business, industry, among many other different areas.

Likewise, the AHP helps decision makers to find the best option that suits their goals and their understanding of the problem. The technique also advances a complete, suitable, and rational framework for structuring a decision problem, for representing and quantifying its elements, for relating those elements to overall purposes, and for evaluating alternative solutions. The AHP first degrades any decision problem into a hierarchy of more easily comprehended sub-problems, each of which can be analyzed separately. The segments of the hierarchy can connect to any feature of the decision problem.

When the hierarchy is made, the decision makers efficiently assess its different components by contrasting them to each other, with regard to their effect on a component over them within the chain of hierarchy. In this process, the decision makers can make use of concrete information around the segments, but they ordinarily use their common sense around the segments' comparative meaning and significance. It is the substance of the AHP that human common sense, and not just the underlying data, can be utilized in doing the assessments (Majumder, 2015).

The AHP changes these assessments to numerical values that can be controlled and contrasted over the complete extent of the issue. A numerical value is determined for each component of the hierarchy, permitting assorted and regularly unequal components to be compared to one another in a sound and reliable way. This power distinguishes the AHP from other decision-making methods (Panagiotopoulos, 2022). Within the last step of the procedure, numerical priorities are determined for each of the decision options. The numbers refer to the option's relative capacity to attain the decision aim, thus they permit a clear understanding of the different courses of activity (Global Institutes Amritsar and University of Mauritius, 2013; Canco, Kruja & Iancu, 2021).

Then, this document considered some essential environments in order to ensure the best possible option for investing. Environments such as, Economic, Political Security, International Relations, Technological, Civil and Cultural that all were connected to stability and security in countries. Each of them has three variables that allow understanding why all these factors are relevant for due diligence and the analysis of different states with different conditions and concrete features that finally can impact the decision making when firms from Iran try to select new options

for investing. The variables have been chosen according to the mentioned well-known websites and academic sources, as shown below. As an example, for economics, this thesis has chosen: Index of Economic Freedom (INEF), International Reserves (INRE) and Country Risk Report (CRRE). All variables are mentioned in Table 2. They will be able to check all details and to compare various factors and variables in different environments to make decisions regarding the stability and instability in each European country.

This technique was based on the investigations of Baena-Rojas, Castaño-Villa, & Tabares-Castrillón (2016), Baena, Cano & Campo (2018), Cano, Baena, & Campo (2018), López-Cadavid, Vanegas-López & Baena-Rojas (2020), Baena-Rojas, Vanegas-López, & López-Cadavid (2021), Vanegas-López, Baena-Rojas, López-Cadavid & Mathew (2021) and Baena-Rojas, López-Cadavid, Mackenzie-Torres, & Muñoz-Parra (2022). In all these previous works the authors developed a useful tool for the decision-making process in international market selection for exporting and doing foreign investment. Obviously, this research is not focused on the same aim; however, the formula and the entire technique’s results are relevant and perfectly fit within the purpose of this study, related to the analysis of due diligence of countries when a specific firm tries to look for the best possible alternative to invest in. In this sense, the current paper adapted all these factors and variables from the original sources according to the essential items that firms should consider, see Table 3, for investing in a precise country. In fact, this paper has mentioned the factors that influence stability and instability using the above tool so as to give a clear picture to foreign investors who intend to move assets and capital from their country to the new hosting country.

Table 3. Environments and variables that affect the choice of foreign market in investment within due diligence.

Economic	Description and explanation	Sources
Index of Economic Freedom (INEF)	This index is a famous report in which several countries are graded. This index is about people’s right for freedom of work and economic activity. Economic freedom is the fundamental human right that boosts property.	(The Heritage Foundation, 2021; Kane, Holmes, & O’Grady, 2007)

International Reserves (INRE)	The Data Template in this index is an inventive single system that coordinates the concept of universal reserves and foreign currency liquidity by covering information on on-balance-sheet and off-balance-sheet international financial exercises of country authorities as well as supplementary data. It aims to supply a comprehensive account of official foreign currency resources and channels on such assets emerging from different foreign/domestic currency liabilities and commitments of the authorities.	(IMF, 2021)
Country Risk Report (CRRE)	This index counts a wide range of distinctive circumstances, continuously refers to doing business overseas and to the risks it causes, anything the source of risk and the nature of the industry. Undoubtedly, the specific highlights of each investment or transaction sort must clearly be taken under consideration.	(Bouchet., Clark, & Gros Lambert, 2003)
Political Security	Description and explanation	Sources
Global Peace Index (GPIN)	This index ranked many countries by employing many qualitative and quantitative variables from extremely reliable resources and assessing the state of law and order over three main fields.	(Institute for Economics & Peace, 2021)
Global Terrorism Index (GTIN)	This index ranked the situation of terrorism in many countries and is evaluated by the National Consortium for the Study of Terrorism and Responses to Terrorism (Begin) at the College of Maryland. This index uses over 150000 terrorism case around the world.	(Institute for Economics & Peace, 2022)
Risk of Terrorism and Political Violence (RTPV)	This index ratings on complete data and show the co-work by AON and Risk Advisory. The configuration provides a worldwide diagram of display to protect political trespassing risks for businesses.	(Risk Advisory, 2019)
Technological	Description and explanation	Sources
ICT Development Index (ICTN)	This report displays the leading data-driven examination to-date on trends in peace, its financial value, and how to develop peaceful societies. The GPI covers 99.7% of the world's population, using 23 qualitative and quantitative indicators from exceedingly respected sources, and measures the state of peace	(ITU, 2017)

	over three spaces: The 2021 GPI reveals a world in which the conflicts and crises that developed within the past decade have started to subside, only to be replaced with a new wave of pressure and instability as a result of the COVID-19 pandemic and rising tensions between numerous of the major powers.	
Global Innovation Index (GIIN)	This index is a yearly ranking of countries by their capacity for, and success in, innovation.	(WIPO, 2021; Matthews & Brueggemann, 2015)
Individuals using the Internet percentage (IUIP)	This index is provided by the World Bank and uses the data on development of internet infrastructures and users in member countries.	(World Bank, 2022)
Cultural	Description and explanation	Sources
Corruption Perceptions Index (CPIN)	This index categorizes countries by using the data on corruption in governments. These data are extracted from professionals and businessmen point of view.	(Transparency International, 2020)
Doing Business (DOBU)	By utilizing quotative markers, this index compares almost all of the countries in range of economic control.	(World Bank, 2020)
Cultural Distance (CUDI)	This index ranks countries by identifying diversity and distances in society by diversity of language and family structures.	(Hofstede, 2022) (Bellack & Hersen, 1998)
International Relations	Description and explanation	Sources
Depositary Agreements United Nations (DAUN)	The Secretary-General of the United Nations holds almost every international agreement and ranks countries by the number of agreements.	(United Nations, 2021) (United Nations, 2021a)
Globalization Index (GLIN)	This index measures the economic, social and political dimensions of globalization.	(KOF Swiss Economic Institute, 2021)
Region Risk Index (RRIN)	This index ranked from low to high risk within each region listed. The PRI is the overall measure of risk for a given country, calculated by using all 17 risk components from the PRS Methodology including turmoil, financial transfer, direct investment, and export markets.	(Marsh McLennan Group, 2021)

Civil	Description and explanation	Sources
Democracy Index (DEIN)	This index investigates the conditions of democracy in more than 156 countries. The index uses 60 markers in five variables.	(The Economist, 2020)
Media Integrity (MEIN)	This index denotes the extent to which the media landscape offers diverse and critical coverage of political issues.	(World Bank, 2021)
Civil Liberties (CIL)	This index denotes the extent to which civil rights and liberties are respected by using 5 main indicators as liberties.	(World Bank, 2021b)

Source: Own elaboration

Regarding why this doctoral thesis considered the EU as a potential region for investing, it is important to point out that this area offers remarkable opportunities for many different enterprises around the world including, of course, for Iranian enterprises. The EU is the largest host region of foreign investment in the world, absorbing nearly two-fifths of global investment flows and equities. After the 1992 deadline for the establishment of a single market, the number was reached. Developing countries rapidly increased their investments in the EU. Newly Industrializing Countries of East Asia (Asian NICs) including South Korea, Taiwan, Singapore and Hong Kong led the way in this increase (Hwang, 2003).

Likewise, when the countries of the EU were analyzed, there were some troubles related with availability of some statistics and critical information to complete the multi-criteria analysis. For instance, some countries do not publish some crucial data according to the websites and official databases considered within this technique. In this case, the countries discarded were, in alphabetical order, Cyprus, Luxembourg, Malta and the United Kingdom, because there was no information to compile some specific variables after consulting some of the selected databases in this study. The current thesis has explained this to our subjects and the author does not believe that this lack of information in the source of our data affects the results because the potential investors would still have the majority of countries in Europe to decide from.

In order to implement the multi-criteria technique, 6 main environments were considered. Each of these environments contains 3 constituent variables. Each of these three variables reflects

the situation of countries in three different areas related to its own environment. Economics, Political Security, International Relations, Technological, Civil and Cultural are the essential areas that together create the criteria for Foreign Direct Investment. The selection of each of the three sets of variables has been done carefully. These factors are connected to the relevant environment, and they have a significant influence on that. For example, the economic environment has 3 variables. These three variables are indexes that are officially valid statistics by a reputable institution and play a key role in shaping the environment in terms of security and due diligence: Index of Economic Freedom, Country Risk Report and International Reserves are the variables that shape the economic environment and have been commented on by AHP. Afterward, to counting each environment and each of their variables it was necessary to apply a simple survey (described in Table 4) among a group of experts. This was essential for defining the weight of each percentage and later, it was necessary also to consult the information of each criterion in the selected data bases for this thesis.

A questionnaire was applied to the entrepreneurs in the sample to find out their specific perspectives regarding the set of factors proposed both at a general and specific level. For its structuring, the methodological structure proposed by Saaty (2008) was followed, in order to compare each factor with the other factors belonging to its dimension in order to understand its relative importance and subsequent position in the general hierarchy. Thus, the structured survey was based on a scale of 1 to 9 points under the logic expressed in Table 4.

Table 4. Rating scale used for defining weights according to environments and variables selected.

<i>Meaning</i>	<i>Rating</i>
If factor 1 is...than factor 2	#
Equal important	1
Slightly more important	3
Pretty more important	5

Absolutely more important	7
Extremely more important	9
Intermediate values	2, 4, 6 and 8

Source: Own elaboration based on Saaty (2008)

Analytic Hierarchy Process (AHP)

The AHP model is the main tool used to determine the importance proportions of the experts in relation to the set of risk variables proposed in this study. Thus, this method developed by Saaty (1984) makes it possible to decompose the elements that make up a given complex problem through paired comparisons between them to determine the hierarchical position that each element occupies within the problem. Likewise, given the usefulness of this model to identify priorities, it has been widely used to solve problems in various contexts where uncertainty abounds or there are many alternatives and intervening criteria when a firm making a decision, for instance, such as product design evaluation, project management, supply chain, education and purchasing decision analysis (Chan, Wang, White, & Yip, 2012; Gudienė, Banaitis, Podvezko, & Banaitienė, 2014; Mangla, Kumar, & Barua, 2015; Sharma, Gupta, & Acharya, 2020; Durdyev, Mohandes, Mahdiyari, & Ismail, 2021).

Regarding the methodological application of the AHP model in this study, the judgments previously granted by the set of experts through the paired rating scale allowed the formation of comparative matrices for each dimension based on a scale of 1 to 9 points according to the degree of importance assigned to each factor, as shown in Equation (1).

$$A = [a_{ij}] \begin{bmatrix} 1 & a_{12} & \dots & a_{1n} & a_{21} & 1 & \dots & a_{2n} & \vdots & \vdots & \vdots & a_{n1} & a_{1n2} & \dots & 1 \end{bmatrix} = W = \begin{bmatrix} \frac{w_1}{w_1} & \frac{w_1}{w_2} & \dots & \frac{w_1}{w_n} & \frac{w_2}{w_1} & \frac{w_2}{w_2} & \dots & \frac{w_2}{w_n} & \vdots & \vdots & \vdots & \frac{w_n}{w_1} & \frac{w_n}{w_2} & \dots & \frac{w_n}{w_n} \end{bmatrix} \quad (1)$$

Once the matrices for each general dimension and each specific sub-factor were formed, the system of matrices and vectors was solved following the steps proposed by Saaty & Kearns (1985), as shown in Equation (2).

$$AxK= [1 a_{12} \cdots a_{1n} a_{21} 1 \cdots a_{2n} \cdots \cdots a_{n1} \cdots a_{1n2} 1] \times [W W_2 \cdots W_n] = [W'_1 W'_2 \cdots W'_n] = \lambda_{\max} = \left(\frac{1}{m}\right) \times \left(\frac{W'_1}{W_1} + \frac{W'_2}{W_2} + \cdots + \frac{W'_n}{W_n}\right) \quad (2)$$

In this way, it was possible to get the proportions of each factor analyzed, the level of consistency of the judgments was evaluated to avoid contradictions in the ratings and to obtain a coherent perspective of the problem. Thus, the Consistency Index (CI), Randomness Index (RI) (calculated from the number of factors composing each dimension) and, finally, the Consistency Rate (CR), the result of dividing the CI by the AI, were evaluated, as described in Equations (3), (4) and (5).

$$CI = \frac{\lambda - n}{n - 1} \quad (3)$$

$$RI = \left(\frac{0.58(n-2)}{n}\right) \quad (4)$$

$$RC = \frac{CI}{RI} \quad (5)$$

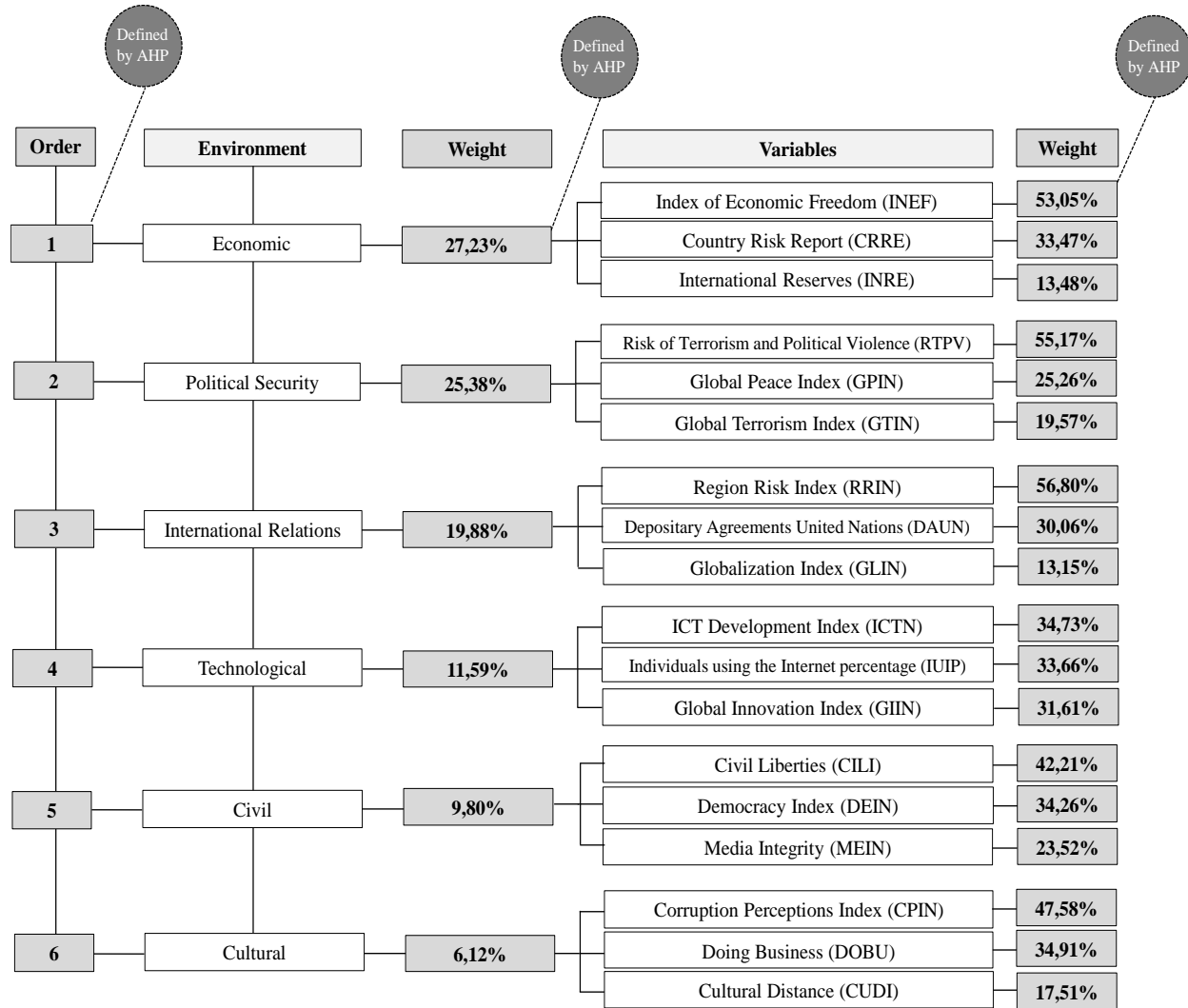
As a last step, considering that the judgments of the 17 companies studied were the product of their own perspectives and that this tends to generate large differences among the judgments, the geometric mean was used in Equation (6) to group the results and smooth them in view of the high dispersion generated by the heterogeneity in the sample, as recommended by Forman & Peniwati (1998).

$$a_{ij}^{Global} = \prod_{k=1}^m (a_{ij}^k)^{a_k} \quad (6)$$

After applying AHP, the multi-criteria technique showed the amount of each of the variables that make up an environment and how it relates to the security of the foreigner investors. Therefore,

the sum of the percentages of each of the three variables represents 100% of an environment, *i.e.*, 1 unit. Each of these environments also has a total factor per value, and the share of environments together makes up 100% of the total principal factors for the due diligence.

Figure 1. Environment and variables for the current study after applying AHP



* The weight of each environment and each variable of them were defined through the AHP technique, all this considering a non-probabilistic survey applied among 17 firms available from Iran interested in investing in the EU. In this sense, all these enterprises compared the relevance of each environment and each variable which finally allowed us to weigh their perceptions to assign not only their order but also the percentages.

Source: Own elaboration

By 27,23%, the Economy is the environment with the most total value per factor. Followed by Political Security with 25,38%, International Relations with 19,88%, Technological with 11,59%, later Civil with 9,80% and finally Cultural with 6,12%. Then, each of these environments are composed of three variables; each of them with a specific percentage assigned by the 16 firms that participated in the survey; all of this, after weighing their perceptions.

Previously, to measure total value per variable, the author identified the most official, valid indexes and statistically updated research. These statistics are often done by official and international institutions, and their results are made public on the Internet through the official databases of these centers. Websites such as the Economist, official websites affiliated with the United Nations, the IMF, the World Bank, and several other popular and reputable research databases provide a valid assessment of each of the variables to perform this part of the methodology. Then, these websites and their databases allowed not only to measure each variable but also to get different values which later were normalized in a scale 1 to 10, see Formula 1. Hence, this last number, (*i.e.*, 10 as the maximum score) means that this is the best option among the country's scores analyzed; all of this was done in order to identify the best scenario for investing within the FSP on business transactions as well as the recognition of the level of impact of the security standard.

Table 5. Sources on the internet for each variable chosen for the study.

Environment	Variables	Website Consulted
Economic	Index of Economic Freedom (INEF)	https://herit.ag/3Ewgp6O
	Country Risk Report (CRRE)	https://bit.ly/2ZvPbhB
	International Reserves (INRE)	https://bit.ly/3EqObKS
Political Security	Risk of Terrorism and Political Violence (RTPV)	https://bit.ly/3vUtu77
	Global Peace Index (GPIN)	https://bit.ly/2ZFwkRG
	Global Terrorism Index (GTIN)	https://bit.ly/3mm7VsR

International Relations	Region Risk Index (RRIN)	https://bit.ly/3CGNywt
	Depositary Agreements United Nations (DAUN)	https://bit.ly/3pO5iLL
	Globalization Index (GLIN)	https://bit.ly/3jNzY2T
Technological	ICT Development Index (ICTN)	https://bit.ly/3EnqTwa
	Individuals using the Internet percentage (IUIP)	https://bit.ly/3pOA3a5
	Global Innovation Index (GIIN)	https://bit.ly/3nluRSy
Civil	Civil Liberties (CILI)	https://bit.ly/3jR33dB
	Democracy Index (DEIN)	https://bit.ly/3BIGOCA
	Media Integrity (MEIN)	https://bit.ly/3mn2GJw
Cultural	Corruption Perceptions Index (CPIN)	https://bit.ly/3Brr1SA
	Doing Business (DOBU)	https://bit.ly/3myhTYt
	Cultural Distance (CUDI)	https://bit.ly/2ZyhIDc

Source: Own elaboration

The use of sources in this part of the methodology was done by referring to the link related to each variable and extracting the amount that the website announced about the situation of each country. It was needed to know how these factors are important in regard to the security of foreign investors and this paper had to investigate how these may influence the environment of the investor.

In this manner, it was analyzed all factors in different countries; then, the number of each country was entered into the limit score for each variable, and by analyzing and normalizing the raw index number on the website, the amount for each country was made comparable and within a certain range, with each country having its own degree. For example, it was considered the Democracy Index (DEIN), with data selected for each country used for this study (specifically, the EU's member states); all of this came from the database of the current website, where its Democracy Index is shown from 1 to 10. In this case, if the value of each country was closer to 10 the normalization scored these countries with the best result. Although, in another example, the interpretation could be different, as is the case of the Risk of Terrorism and Political Violence

(RTPV) index, which ranks countries between 1 and 5. Therefore, in this variable, the closer the score to 1, the better the condition of the analyzed country in terms of risk of terrorism and political violence, all related to FSP and due diligence of the government, resulting in security for foreign investors. As a result of the foregoing, because the normalization goes further and considers this singularity and then scores these countries with the best result, even despite cases such as the last one where the consulted value in the database revealed from their approach that the lower values were the best option.

Variables in this part of the methodology were divided into two main categories depending on the approach that produced the values in the selected databases. In the first case, the higher consulted variables were the best option among the preselected countries, *i.e.*, those closer to 10 were the better scores after normalization. Hence, this situation suggested a direct proportional relationship (DPR) between the data and the expected score.

In the other case, the lower consulted variables were the best option among the preselected countries, *i.e.*, those closer to 1 were the better scores after normalization in this specific case. Then, this situation suggested an inverse proportional relationship (IPR) between the data and the expected score.

In this way, each variable was analyzed in order to define the type of existing relationship between this and the score in the normalization process or simply in order to establish if there existed a DPR or IPR. In other words, the original formula, see Formula 1, the researcher simply designed two independent forms for each of the two sets of variables based on the rule of three. Thus, in DPR variables, the maximum score (10) is multiplied by the directly proportional value analyzed for each country (in this case, the 24 countries of the EU with available information) and later all of this was divided between the highest directly proportional value of the set of data.

$$\text{DPR} = (\text{Maximum Score (10)} * \text{DPV Analyzed}) / \text{Highest DPV}$$

(1)

Where:

DPR: *Direct Proportional Relationship*

DPV: *Directly Proportional Value*

In an inverse proportional relationship (IPR), the highest score (10) is multiplied by the minimum inversely proportional value of the set of data. Later, all of this is divided between the inversely proportional value analyzed for each country.

$$(2) \quad \mathbf{IPR = (Maximum\ Score\ (10) * Minimum\ IPV) / IPV\ Analyzed}$$

Where:

IPR: *Inverse Proportional Relationship*

IPV: *Inverse Proportional Value*

Likewise, to create a comprehensive formula that shows the actual percentage of the variable by entering the index of each country, the following formula, see Formula 1, was also designed in more detail. This formula, which combines the two mentioned relationships, was engineered to show the analysis of each variable in detail. In fact, the 2 basic formulas were transformed into a complex formula according to the engineering vocabulary.

Formula 1. For normalizing each value of the consulted variables.

$$NV_{ij} = \begin{cases} \frac{x_{ij} * 10}{\text{Max}\{x_{ij}\}} & \text{if } x_{ij} \text{ is } DPV \\ \frac{\text{Min}\{x_{ij}\} * 10}{x_{ij}} & \text{if } x_{ij} \text{ is } IPV \end{cases} \quad \forall i = 1, \dots, I$$

Where:

NV_{ij} : Normalized final value for the variable X.

i : Potential country for investing.

j: Factors evaluated with the due diligence technique.

Source: based on Baena, Cano & Campo (2018) and Baena-Rojas, Vanegas-López, & López-Cadauid (2021) and Baena-Rojas, López-Cadauid, Mackenzie-Torres, & Muñoz-Parra (2021).

In sum, after defining the weights of each environment and variable for the current study with the AHP technique; the Formula 1 ensured the normalization subsequently for each data consulted (all of this, through the indicated websites) of each variable. Hence, it was necessary to process and normalize one by one all the preselected countries considered as potential scenarios for investing within this study. Ultimately, the current proposal ensured a score for each country which meant, in objective terms, the best possible option for the opening of a new business according to the data and addressed theories based on due diligence and security standard.

3.3 Case Study B: the survey for identify the perception of the firms in Austria interested in investing in Iran

In Case Study B, the thesis analyzes the perception of some firms located in the EU which potentially could be interested in investing in Iran to answer the fifth research question:

5. To what extent could security, insecurity and FSP related issues influence decision making of foreigner investors especially in countries such as Iran?

This was possible considering a non-probabilistic survey applied in the EU among some firms located in Austria and the aim was to know their prejudices or essential conceptions regarding investing in other scenarios abroad, in this case Iran. In this manner, all the previous inquiries were essential for developing the “Research Question” which according to Mehl & Conner (2012) ensures an optimal methodology, with a reliable data collection, and accurate analysis for the investigative process.

In this other part of the methodology, there was a convenience sampling or non-probability approach. This was based on a semi-structured interview or survey conducted among 17 firms. These managers are engaged in major business and major economic activities in the EU, especially Austria. The author knew that it is not possible for a business actor to invest in some appropriate markets such as the U.S. For example, the author was aware of the non-possibility for Iranian investors to transfer their business through the E2 category to the United States of America in 2017 (New York Times, 2017). The author also did not choose countries like China in Asia because they were not a lot different from Iran in regard to their safety and security. This paper needed an opposite situation for Iranians who intend to invest in other countries. European countries have been much safer and, as it can be seen in the project, achieve top marks in terms of safety and security.

The project did not choose countries such as Australia because the amount of trade between Iranians and European countries is far more than countries like Australia. Besides, there was the chance to see 26 countries in Europe so the respondents could compare different aspects and environments in one continent and make decisions between these countries. In other words, not only is the amount of trade between merchants in Iran and Europe considerable, but also in regard to decision making, Europe could give us a unique possibility.

In terms of European actors who intend to invest in Iran, all the clients have been chosen from Austria because Austrians have had a different situation in comparison with Iranians who intend to invest in Europe. Austrians have experienced a stable and secured business atmosphere.

The current research had to find Iranian business actors who are interested and active in other international free markets and it explained in our introduction section why Europe was our best target in this regard. The author had the chance to find some of the clients and ask for their assistance; however, this work had to refer to organizations like the Chamber of Commerce to be able to find some Iranians who have already invested in Europe. One of the challenges was, many European countries did not have such a chamber in Iran and the ones like Germany and Austria that were in Iran, did not have a good number of subjects for our project due to sanctions and hard

situations explained before. The author tried to use all his networks including the chamber of commerce, his legal partners in other countries and some of his own clients.

This research asked different business actors in Austria if they were interested in Iran, and it chose the ones who were familiar with business and law. This was all possible due to the nature of the author's business activity.

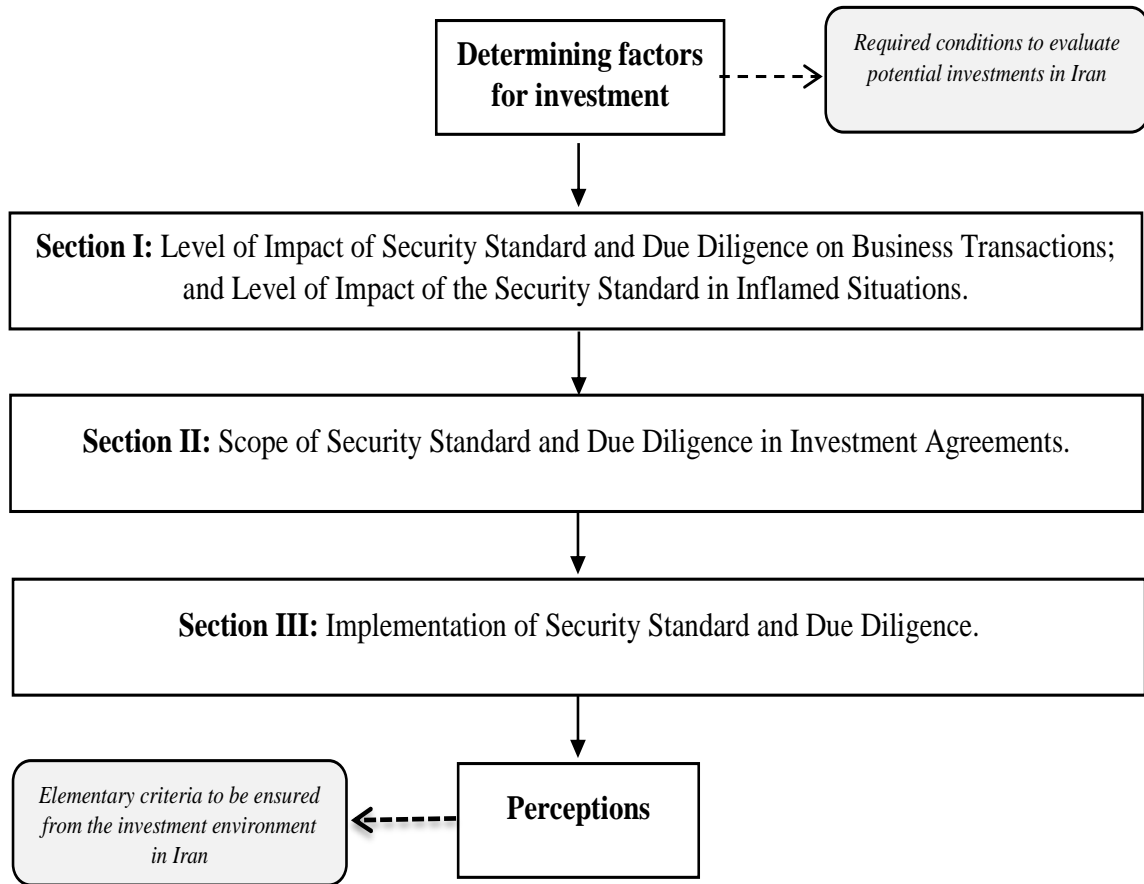
In fact, respondents in Austria are chosen in opposition to Iranian investors whose country is unsafe and insecure so as to provide a dual picture of decision making. How do Iranians think of FSP and in a different situation, how do respondents in Austria decide when it comes to protection and security?

Thus, the current study is bidirectional because on the one hand it analyzes one procedure, the "multi-criteria technique" for firms located in Iran that are interested in investing in Europe and to recognize the best option for decision making. Iran is a country whose situation is very unstable, as discussed. On the other hand, this paper chose Austrian potential investors who may be interested in investing in Iran so that it could have the opinion of one of the top countries in Europe whose safety and stability is at a high level. With such an approach, the thesis has two different sets of opinions in one project. One is for an Austrian who may be interested in an unsafe country like Iran and the other one is for an Iranian who is looking for a safe country in Europe to invest in.

It is essential to point out that this part of the methodology tries to consider the basis of all this work because due diligence can be analyzed from a point of view where the receptors of investing have to take into account all the perceptions from potential firms which can select a specific market within the decision-making process.

The questions included a semi-structured interview or survey which all reflect the attitude of businessmen towards the discussion of foreign investor security and its scope. That is why this survey was conducted to assess the investment perspective in Iran, see Scheme 2, and not to establish any weight for environment or variables like in the previous case.

Scheme 2. Critical factors for investing from the EU to Iran according to some firms



Source: own elaboration

By measuring the majority in each section, the statistical results and percentages are presented in the form of figures and graphs. These charts show the response of companies to the suggestions and options that are raised after each question. Therefore, by observing these graphs, the dominant opinion is easily analyzed and examined.

Section I contains 6 questions in two relative fields. By categorizing affecting factors in the 4 levels of importance, the research tried to evaluate the respondent's point of view. Then, to rank the level of impact of the security standard on selecting the host state, the researcher asked the firms:

1. *To what extent do each of the following protections and due diligence influence the choice of the host country for investing?*²

Affecting factors	Less Important	important	Very Important	Does not Matter
Physical protection of capital and assets				
Physical protection of investors				
Equal treatment for citizens and foreign investors				
Possibility of riots and revolution				
Adherence of the host state to international conventions and obligations				
Background of the host state in maintaining internal security				
Membership of the host state in international conventions on the security of investors				
Legal options to protect capital and investors immediately in times of unrest				
Participation in a special investment agreement with the origin country of the investor				
The obligation of the host state to retain the security of investors under a bilateral agreement				

Source: own elaboration

Previous relevant research projects have been studied to design this question and its options, but the actual cases and real events that have taken place around the question have been used so that each of the options is somehow inspired by a real case that has been decided upon. In this way,

² This question is self-evaluated by the researcher based on related books and articles such as Schreuer (2010) and Junngam (2018). It is also inspired by some actual cases.

For the first option look at: United States v. Philadelphia Nat. Bank (1963)

For the second option: Howey, (1946)

For the third option: Mathews, Secretary of Health, Education, and Welfare (1976)

For the fourth option: United States V. Sperry Corp. et al., (1989) the rest of options are evaluated through the researcher's initiatives but based on related books and articles that mentioned above.

the question and its options are based on what happened once or has a high probability of happening.

In the second question, it was adopted the same previous dynamic in order to process the company's opinion on the level of security in areas that affect investment:

2. In your opinion, what should be the minimum level of security in each of the following cases for a country potentially eligible to invest in? Please only draw a check sign.³

Affecting factors	Very high	High	Average	Low but sufficient
Level of foreign assets protection				
Level of foreign crew and personnel protection				
Level of efficiency of the police department				
Level of peace and quiet in terms of criminal records				
Level of friendship between the host country and the origin state				
Level of economic protections from inflation and bankruptcies				
Level of standard of living in the local host society				
Level of physical protection measures in riots				

Source: own elaboration

In the third question, focused on economic and physical security, the important issue of the method to obtain data on investment security and evaluate it by companies is researched:

3. How do you assess a country's security for investment? Several selections are possible.⁴

³ The question and answer are evaluated by the researcher's initiative, but it is based on the generality of what is contained in the following books and articles: Borchard (1940); Brada (2020) and Campbell (2009).

⁴ These questions and options are self-evaluated, but it based on the main methods of gathering information by investors to invest. It is inspired by these sources: Brown (2021), OECD (2008) and Golubeva (2001).

Way of Recognition	Very high	High	Average	Low but sufficient
By reading scientific articles in academic journals				
By gathering news from the media				
By comparing the economic situation of the host country with other countries				
By comparing security reports and protests in the host country				
By comparing the present reputation of the host governments in the world				
By comparing the bilateral relationship between the host government and the country of origin				
By comparing the number of bilateral agreements between the host country and the country of origin				
By hiring a separate expert committee to research				
By comparing the number of investor protection conventions to which the host country is a party				

Source: own elaboration

In the fourth question, to know the level of impact of the security standard in complex and degrading circumstances, companies were asked what they thought about the type of disruption. This helps to understand what events need to be more vigilantly regarded to protect investors. That is to say that for the options of this question, the most common factors that disturb the security of investors based on the cases that exist in this field were presented. Other options have been suggested based on current events such as Covid-19, the policies of some governments and the reduction of police budgets. To determine the level of these types, four options are placed from low to high and very high.

4. To what extent does each of the following disrupt the security of your property and yourself.⁵

Security disruptions	Less	Much	Very Much	Does not affect
Struggling between the local communities				
Unexpected expropriation				

⁵ These options were written on the researcher's own initiative sense, and he has tried to bring the clearest and most related options in this section. But the initiative does not mean that these options are presented without any scholar basis or real examples. The following are related sources and examples for each of the 11 options provided to prove my point:

Example for the first option: Macek (2021) and Casi & Resmini (2017).

Example for the second option: Foremost-mckesson, Inc., Et Al., Appellees (1990); Banco Nacional De Cuba V. Sabbatino, Receiver, et al. (1964) and Bg Group Plc, Petitioner V. Republic of Argentina (2014).

Example for the third option:
Banco Nacional De Cuba V. Sabbatino, Receiver, et al., (1964) and Esther Kiobel, Et Al., Petitioners V. Royal Dutch Petroleum Co. et al. (2013).

Example for the fourth option:
Youngstown Sheet & Tube Co. Et Al. V. Sawyer., (1952) and American Insurance Association Et Al.v. Garamendi, Insurance Commissioner, State of California (2003).

Example for the fifth option:
Penn Central Transportation Co. Et Al.v. New York City et al. (1978).

Example for the sixth option:
Haig, Secretary of State V. Agee (1981); Foremost-mckesson, Inc., et al., Appellees (1990) and First National City Bank V. Banco para El Comercio Exterior de Cuba (1983).

Example for the seventh option:
FOX News (2022); FOX News (2022a)

Example for the eighth option:
Escaleras & Register (2011).

Example for the ninth option:
UNCTAD (2021).

Example for the tenth option:
Brown & Hibbert (2017).

Example for the eleventh option:
Dassa Kaye, Nader, & Roshan (2011).

Civil war				
Interstate war				
Regional contemporary riots				
Revolution				
Defunding the local security agents by the host state				
Natural disaster				
Pandemic (the most apparent example is Covid-19)				
Rising criminal rates in the host countries				
Having confronting policies with other governments by the host state (such as the Islamic Republic's political relations with Israel)				

Source: own elaboration

Later, in the fifth question it is possible to clarify investor's views on how it is best to protect them. In fact, investors who want to answer this question with the experience of economic activity, and not security, want to have the highest level of security in any way, but their experience and the options that are effective in shaping this view can be shown in an appropriate manner. This shows how governments should move to choose ways to protect investment and better understand the expectations of foreign investors. For the options of this question, an attempt has been made to consider additional measures and items that are of most interest to investors to control their security in the host country. Options include the creation of special sections and tasks for the protection of foreign investors by host governments, and some of them refer to giving more authority to investors to maintain their security.

5. How can the host government better protect the physical security of the investors and their property in times of riots and turmoil? Please only draw a check sign. Several selections are possible.⁶

Protection Measures	Check
---------------------	-------

⁶ It is clear that this question is more of an innovative survey than it is taken from an exact sample or source, because the options are all such that if one wants to extract them from a source, the source itself must be a questionnaire. Here the questions are innovative and indeed inspired by the sources raised in the previous footnotes in this part.

Creating a special force for protecting foreign investors and their property	
Establish a special protection mission for the local police	
Allowing foreign investors to participate in maintaining local security	
Permission to intervene to the investor's country of origin to take protective measures against its citizen	
Establish a mechanism for prompt handling of foreign investor cases during turmoil	
Establish a mechanism for quick and out-of-turn access to part of the security forces	
Creating remote areas of local communities for foreign investors	
Adherence of local people or the host government to a contract that guarantees no damage to foreign capital during a commotion	

Source: own elaboration

Next, in the sixth question was one of the most important factors: disrupting the economic balance and the security of foreign investors in countries hosting domestic riots and revolutions. But it remains to be seen what the level of riots, demonstrations and protests will be for investors to consider their security endangered. Companies choose from options that reflect their level of confrontation and their views on riots or revolutions. In some options, the sensitivity of the view to the mentioned cases has increased, and in some other options, an attempt has been made to find out how low the level of confrontation with phenomena such as riots and protests is. Options show such sensitivity that even riots and protests themselves and at any level are considered to be disruptive to security, and in other options, even widespread protests are not necessarily detrimental to the security of foreign investors.

6. What kind of riots and revolution seriously endangers the security of foreign investors and their property?⁷

Turmoil type	Agree	Not Agree
There is no serious risk to foreign investors if the riots are not widespread in the local community		

⁷ Ibid page 73.

If the riots and protests are not limited to the local community, foreign investors are most at risk		
The revolution itself endangers foreign capital and investors		
Even peaceful protests should be accompanied by security measures for foreign investors		
Foreign investors are not in serious danger if the riots are for reasons unrelated to foreign investors or their country of origin		
If the riots have an economic reason, the risk of damage to capital and foreign investors increases		
Foreign investors are not safe even when the host government is at war, despite its commitment to security		

Source: own elaboration

Section II contains 3 questions, and this part has taken on a bit of legal color, and this is interesting because individuals with more economic backgrounds try to choose the best ways to protect themselves through international agreements from among the options. Although the writing of intergovernmental treaties is a matter of international law, foreign investors are often aware of their rights under investment agreements for successful investment. It was aimed to provide companies with options based on real investment agreements in modern history to increase their familiarity with these contractual clauses and to clarify the level of expectation from governments to write better agreements to protect investors.

7. How can the following terms in bilateral agreements between the origin country of investors and the host state provide investor security more effectively? Rate each item right in front of the phrases with a score between 1 and 3. 1 means, insufficient, 2 means sufficient, 3 means quite sufficient and comprehensive:⁸

⁸ This question and its options are mostly taken from the examples in bilateral and multilateral treaties and agreements and the books and articles that have been said about it. However, the initiative of the researcher has also been involved in compiling these questions and options. Such as: Fuchs, Pika, & Müller (2022) and Schreuer (2010).

_____ Each Party shall at all times ensure fair and equitable treatment to the property of the nationals of the other Parties.

_____ Investments of nationals or companies of each Contracting Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection.

_____ the parties “shall accord to investments of another Party treatment in accordance with international law, including fair and equitable treatment and full protection and security.

_____ The property of investors shall be accorded the most constant protection and security within the territories shall not in any way.

Source: own elaboration.

The next question addresses the security requirement, which was examined, in depth, in the theoretical framework. In this manner, two important standards of protection, which in fact are considered by some to be a single standard that has appeared in different terms, have been questioned. From the investor’s point of view, are these two standards two sides of the same coin? Here are the intent options with reference to FSP and options targeting only FET. All these previous issues are considered in the following question.

8. To what extent should the host state meet the investor security requirement? Selecting several options is unobstructed.⁹

The scope of protection	Check
Physical protection of assets by the minimum standard of fair and equitable treatment	
Physical protection of investors and their family by the minimum standard of fair and equitable treatment	
Physical protection of investors and their property by the additional mechanism of protection in case of riots, revolution etc.	

⁹ This question and its options are mostly created by the initiative of the researcher. But for this design, the sources mentioned earlier, *i.e.*, related books and articles in the literature, have been used. But the innovative aspect of this question is more than its extraction from sources.

Legal protection by the minimum standard of fair and equitable treatment	
Legal protection with additional mechanisms such as litigation without appointment in case of inflamed situations	
Physical protection of investors and their property by the additional mechanism of protection in any situation and time	
Legal protection with additional mechanisms such as litigation without appointment in any situation and time	

Source: own elaboration

In this last question of this part, investors have been asked one of the most important parts that has been identified in the theoretical framework. What are the opinions of investors about full protection, including physical and legal protection? What is the level of their expectation about what the government should do to protect them? For this question, companies were given the choice to choose from several options. In Question 9, an attempt has been made to measure the views of investors not only by stating hypothetical options but also to measure their actual experience with protection. Due to the extensive economic activities of these investors, they have undoubtedly gained experience to be able to do better business. This question is significant because it shows that in terms of security, investors are willing to invest in what part of the real world.

9. In your experience, to what extent do each of the following countries and regions maintain the security of foreign investors?¹⁰

Regions and countries	Maximum Scope of Security	Average Scope of Security	Minimum Scope of Security	I have not any experience and Idea
North America, the United States and Canada				
EU Countries				

¹⁰ This zoning is mostly based on the economic and political situation and the general similarities between the countries, which are obtained through official statistics. For example, in the first option: North American countries are generally in a better economic position than other parts of the continent (Government of Canada, 2022). However, for better implementation, this grouping was more limited, and by bringing the United States and Canada in parentheses, it was shown that this research focuses on two countries, which are similar in terms of economic development in the north of the continent. Otherwise, it will ruin the polls by making fundamental changes.

For option 3 and 4, it is quite clear that this grouping is based on comparisons between regions of the world in general and implicitly. That is, it is clear that the economic situation of Eastern European countries is significantly different from that of Western European countries. But in the next options, for example, when East Asia is divided into two separate options, it is clear that a few countries are very far away from their neighbors economically, and this leads to the separation of options. The same answer is true for the Latin and South American countries

Western European countries				
Eastern European countries				
East Asian countries (Japan, South Korea, Hong Kong, Singapore)				
East Asian countries (China, Indonesia, Taiwan, Malaysia)				
Middle East countries (United Arab Emirates, Kuwait, Qatar, Israel)				
Middle east countries (Iran, Iraq, Syria, Lebanon, Pakistan, Afghanistan)				
African Countries				
Latin and south American countries				
Australia and New Zealand				

Source: own elaboration

The options are formulated to cover all important parts of the world. In this regard, despite the fact that options have been asked from all parts of the world, but certainly in one region, countries may not act the same in terms of attracting FDI. Especially in the Middle East and Asia where efforts have been made to show more differences so that the options are more realistic and closer to the real view of the companies.

Last but not least, section III contains 2 questions and likewise in order to better understand the expectations two additional questions were added to complete the above questions. This will help more in the implementation of protection. The issue of equity between investors and individuals of the nation is somewhat qualitative for governments, and Question 10 asks investors about the level of implementation of protections by providing scoring. The options in this question are designed in such a way that the real intention of the investors is clear from the level of security and the implementation of due diligence. Here it was intended to measure the reaction of investors to the option of additional measures towards equality and see how close their opinion is to reality.

10. Must the host state protect the investor only to the extent that it treats the foreign investor with equity, or are additional measures required? Rate each item right in front of the phrases with

*a score between 1 and 3. 1 means agreement with the statement, 2 means objections with the statement and 3 means partially agree with the statement.*¹¹

___ Equal treatment of investors is sufficient for the government to be obliged to protect foreign investors.

___ If a host state goes further and granting priorities and additional options to foreign investors regarding the protection of property and themselves is discriminatory.

___ It is sufficient to create clear frameworks for additional measures to protect the property and lives of investors in times of turmoil and unrest.

___ Creating clear frameworks for additional measures to protect the property and lives of investors must be done at all times.

___ Establishing clear frameworks for additional measures to protect the property and lives of investors in developed countries is sufficient only if it is in a time of turmoil.

___ Establishing clear frameworks for additional measures to protect the property and lives of investors is sufficient if available in developing countries.

___ Establishing clear frameworks for additional measures to protect the property and lives of investors in developing countries must be permanent at all times.

Source: own elaboration

In the last question of section III, as well as the entire semi-structured interview or survey is raised again at the level of governments, and one of the points that shows the confidence of investors in the commitment of host governments to protect them is targeted. Here, based on the theoretical framework, it is asked that they consider what could indicate a greater commitment to security and how it is viewed from the outside by foreign investors. There are options for companies to answer this question, which mostly reflect the legal obligation of governments. One of the goals of this question is to understand to what extent and in which agreements companies trust their rights to be protected. Membership in conventions and international organizations is one of them. In this question, it was sought to assess the opinion of those who do not consider such phenomena of international law to be binding in general for security obligations.

¹¹ In this section, the intention is to create a distinction between equal behavior or FET standard with FSP standard in the eyes of the audience. But the discussion of additional measures is the author's initiative to assess investor's opinions and to differentiate the standards with a new approach. This question and its options are mostly inspired by these: Dolzer, (2014).; Klager, (2011); OECD (2004) and Paporinskis, (2013).

11. Which of the following makes the host government more committed to protecting foreign investors? Please only draw a check sign. Several selections are possible.¹²

Membership in general international conventions such as the UN Charter	
Membership of the host state in specialized conventions on trade relations	
Membership in bilateral trade agreements with the country of origin	
Having a direct agreement between the foreign investor and the host government	
Adoption of international sanctions in case of violation of creating a safe environment for investors	
Determining damages and guarantees in case of not creating a safe environment for the investor in the bilateral trade agreements	
No legal instrument can force the host government to protect foreign investors	

Source: own elaboration

In sum, all the previous questions in case study B allowed us to complete the entire methodology proposed in the current study. Likewise, this semi-structured interview or survey ensures, at least, a minimal idea regarding the most relevant matters which European firms usually take into account when planning a possible expansion or investing abroad, also considering the case of Iran as a developing country. In any case, despite this exercise being bounded by the availability of time as well as the accessibility of respondents, this does not mean that the perspectives identified do not count as real and empirical data, which can allow us to establish a picture of this currently studied phenomenon.

¹² This question is mostly based on international guarantees and commitments that a government adheres to. This overview has been introduced at the initiative of the researcher in the field of supporting foreign investors.

4. THEORETICAL FRAMEWORK and QUALITATIVE RESEARCH

4.1 Theoretical Framework

To explain the design and segmentation of the thesis in more detail, it could have now looked at the introduction and literature review, as well as the methodology in the previous chapter. Here in this chapter, this thesis first tries to understand the conception of FSP. In doing so, the author tries to explain what this standard is, how it has been formed and created. This work briefly mentions the origin of international investment standards and their purpose and relation to FSP so its readers will have a clear understanding of our main subject. Once it has gained a clear picture of FSP, the thesis clarifies how far FSP could protect foreign investment in chaotic or unstable societies. The contents of this section are based on and analyzed only in the form of text. As the thesis title suggests, there is a two-pronged approach to the thesis. This bidirectional approach has allowed the researcher to explore the FSP standard and due diligence in the most important areas that have been raised, namely both business and investment law. Therefore, in this first part (qualitative research), the most important theoretical content is taken from both business and legal sources. These data, which are presented in the text and analyzed descriptively with a qualitative approach, have followed a qualitative method.

In the second half of the thesis, the subject is fully explored in the business world and moves away from the legal approach that is done through qualitative research. In that section, information and analysis are quantitative, and the results are naturally numerical and statistical. Quantitative research in this thesis consists of two main parts, each of which adopts a different form to achieve the results. In the first part, using the AHP method and multi-criteria technique, the status of FSP and due diligence regarding the safety of foreign investment are quantitatively evaluated. In the second part, the results were obtained by distributing a questionnaire that was designed descriptively. In fact, the second part of the thesis evaluates the attitudes of Iranian businessmen towards FSP and due diligence. The document presents a calculative picture of our

data. In the third part, this view has been reversed and the approach of European investors, especially those from Austria to investment in foreign countries has been evaluated. We clarify why and how the sanctions against Iranian investors have made the European market as one of the best options for Iranian investment. The reverse movement of capital from business activists in Austria is also analyzed to identify the importance of FSP for international investment in countries with unstable conditions like Iran. This is why the author has analyzed factors causing stability or instability in societies.

The standard of security and protection of foreign investment is on the one hand, rooted in the legal literature and on the other hand, is related to the activities of investors and their fate in host countries. A review of the business and legal literature for analysis of content provides a variety of answers and arguments. However, in real world practice, if this work aims to observe the foreign investor perspective as a matter of security and explore what variables in due diligence are involved, it should assess them using statistics and hybrid methods. Through the qualitative research method, words and content that comes out of texts are analyzed and evaluated, while wherever numerical analysis and results in the research are found, the quantitative method is adopted. In the following, the research question is restated, and it goes into detail on how the data was collected, analyzed and interpreted to address each section.

4.1.1 Qualitative Chapter

In this chapter, various aspects of the standard are reviewed and explained. By explaining the relationship between foreign investment business and the standard, this chapter deals with how it was formed and why it was seen as important. It then describes under what circumstances investors need protection and how and to what extent they can be compensated if their investment is harmed. This is the most important part of the research. To clarify this, the thesis identifies how chaos may occur and how far investment damages can be compensated. To answer the main research question, it needs to establish answers and explanations to these points below:

What is FSP, how was it originated and related to international investment standards and business factors?

- The scope of due diligence in FSP.
- Investor protection in developing countries such as Iran and vice versa.
- The importance of decision-making in international investment in regard to FSP.

The data provided for this part of the thesis are extracted from a collection of documentary materials. Using such data collected over a sustained period makes us capable of studying any process. This includes historical development, which this thesis explores in terms of the origins and most relevant historical progress of key concepts (Miles, Huberman, & Saldana, 2014). The data used for this part could be defined as descriptive as well as qualitative. Indeed, these two terms are used interchangeably (Nassaji, 2015). The framework for this part includes texts that have been collected from qualitative sources, such as the text of books, business, and legal articles, and of arbitration awards. The data from the mentioned sources are described in this section of the research under 7 separate headings.

4.2 Qualitative Research

With the growing phenomenon of foreign investment, on the one hand, and domestic investment in an economy being restricted by changes in demand and technology, high profits and low interest rates, on the other hand, an external spur to investment is often perceived as essential to improving capital evolution in the economy. In the developing economies that are commonly afflicted by low levels of productivity, leading to low levels of wages and thus low levels of savings and investment, again perpetuating the low productivity levels, an external injection in the form of foreign investment often acts as a lever to break away from the ‘vicious circle’. It tends to add national savings, facilitate access to internationally available technologies and management know-how, raise efficiency and extend results and outcomes (Chaudhuri, 2014).

Many economic, political, legal, and socio-cultural factors affect private investors examining investment abroad. From the beginning, the investor must be guaranteed a probability of earning a profit corresponding to their evaluation of the risk involved. Other economic factors, such as the availability of adequate labor, power resources, and transportation facilities, have an

influence on the analysis of probable profits. The investor also must be convinced that the political security is stable and will be protected from any physical threats as well (Sornarajah, 2017).

Nowadays, the importance of global investment is an undeniable fact that not only helps in eradicating poverty but also speeds the development of a region. That is why this research seeks to reveal why international protection and the standard concerning such protection hold grave importance in the eyes of international investors (OECD, 2002). This is achieved through scientific references and the incorporation of data, numerical input, surveys and modern approaches that play a significant role in helping us understand what are the expectations of foreign investors looking to invest around the world and Iranian investors trying to identify the best destinations for their investments. Both the legal point of view and mathematical methods are needed to determine the scope of due diligence in these kinds of investments, the expectations of the investors and the actual protection provided to the investors by the law. The implementation of these legal and arithmetical methods has been elaborated in the methodology section of the work. Through this methodology, the thesis has observed the trend of investment of Iranians outside of Iran, and it also has a deep analysis of the results of a survey on how foreigners would be interested in investing in Iran. Investment is not only important for Iranians who intend to invest outside of their country but also for Iran as the host of foreign investors, due to the many positive benefits coming out of foreign investment.

According to the OECD, the importance of investment is not only to sustain growth but also to address inequalities, encourage innovation, help the transition towards low-carbon economies, and finance the United Nation (UN) Sustainable Development Goals (SDGs). The priorities are three 'I's: "Investment, Investment and Investment!" (OECD, 2015).

Based on World Bank data, foreign direct investment may promote economic development by helping to improve productivity growth and exports in multinational's host countries, the authors of a report concluded. But the exact relationship between foreign multinational corporations and their host economies seems to vary between industries and countries (Blomström & Kokko, 1997).

Foreigners, as long as they live in alien territory, ought to be safe from every injury, and the ruler of the state is bound to defend them against it, that is, security is to be assured to foreigners living in alien property (2018). This is a rational and obvious conclusion that foreign investors would require protection and safety. For all their undoubted advantages and benefits, and as a result of the global plunge in international investment, there is an increased need for new regulations to prevent abuse and ensure that both sides – investors and investees – will be treated fairly and benefit more or less to the same extent (European Commission, 2018).

Based on our findings, if states have permission to draw a formulated framework of measures on how to provide the security standard provision in their agreements, they undoubtedly could be undertaking an obligation to act no further than protecting the investors in conformity with international standards, and not just in accordance with national treatment standards. The host states cannot be ambivalent about the resources that they have in their hands. The host state has a duty to bring forth a legal framework that empower the investor to accomplish securing its investment. In some multilateral treaties, such as North American Free Trade Agreement (NAFTA), the security standard is interpreted to the international minimum standard defined and demanded by customary international law and business. As there is not a margin or limitation to the international minimum standard, the recommended perspective is to interpret NAFTA and analogous treaties as independent and sovereign (Lorz, 2015).

Several investment treaties have contained provisions granting a new standard, which is called FSP for investment. This involves prudence, judgment and ascertaining what a person would logically be expected to do under certain circumstances. There is still no comprehensive and definitive answer to many due diligence issues. These include the right time of practice, the way of exercising and the scope of due diligence. This research explores how due diligence is not limited to some legal endeavor yet to provide physical protection and safety is also one of the components of due diligence, whose scope still needs to be academically discussed.

The FSP standard is less frequently applied than other standards, hence arbitration practice is not common, and the legal literature is rather scarce (Reinisch, 2008). Most investment treaties contain provisions granting FSP for investments. The wording of these clauses suggests that the

host state is under an obligation to take active measures to protect the investment from adverse effects. The adverse effects may stem from private parties or from the actions of the host state and its organs. More recently tribunals have found that provisions of this kind also guaranteed legal security, enabling the investor to pursue its rights effectively. Tribunals have disagreed on whether the FSP merely reflects the broader, fair, and equitable treatment standard and customary international law or offers an independent and additional standard.

Arbitral practice is generally agreed that this standard of protection merely requires due diligence and does not create absolute liability (Blanco, 2019). It is obvious that the government of the host state has the power to impose conditions on foreign investors that may lead to negative results for the latter, particularly in cases where the government itself, using its special powers, enters into competition with the investor. These negative results may carry more pressure for foreigner investors when they are not aware of the scope of such rights when they are in some developing countries (George, 2019).

Most BITs contain a protection responsibility. Although the precise scope of the standard is still indefinite, there is a broad concord that the standard requires the protection of foreign investments and investors from physical injury from the state itself or third parties. This obligation is not an absolute obligation, but one that requires an exercise of due diligence (Nnaemeka, 2016).

Thereafter, a FSP clause remained a regular part of treaties but with more clarification; the parties to the treaties more explicitly determined the degree of standard of FSP. For instance, granting “the most constant protection and security for their persons and property” to the nationals of each party. According to Article 17 of the Harvard Draft Convention on Diplomatic Privileges and Immunities, the involvement of security, peace, or dignity in the concept of protection and security was identified (John, Grant, & Barker, 2009).

There were many changes and different approaches after World War II, with examples given at the beginning of this section. The first post-World War II treaty between the United States and China of 1946 adopted, as its predecessors had, “the most constant protection and security” (Junngam, 2018)

However, “that degree of protection that is required by international law” was changed to “the Full Protection and Security required by international law” (Borchard, 1940). The meaning of the FSP in international investment law has also gone different ways in the legal literature, whose analysis and review comes later in this chapter (Klager, 2011).

The international duty of a government in respect of the property of foreigners cannot be dismissed from its international duty in relation to foreigners in other respects. It is, at least, difficult to suggest that a different standard of duty applies for the security of property and for the security of persons. But the duty of a government towards individuals in respect of their property varies with each successive stage of civilization; it is not the same in the modern world as in ancient or medieval societies, nor is it the same in all countries today. A lawmaker should hesitate long before decreeing any absolute rule as a dogma exempt from the relativity which is the condition of human organizations (Junngam, 2018).

No one can deny the result of such legal decisions on the international movement of capital and how the business of companies or foreign investors is under the influence of such legal decisions. In fact, this is not a legal issue only, it is more an international business issue which is firmly tied to legal fields. Other research seems to work on either legal aspects or business areas; however, this thesis tries to find the business and economic consequences shaped by legal wordings and decisions.

It is clear how the safety of foreign investment could be influenced by international customs and legal trends; therefore, it is important that this work observes how these wordings are formulated and how they have been changing and affecting the economy for both investors and investors.

The wording and formulation of the FSP has also undergone many different changes during the last few decades. In addition to different wordings and formulations, there have been various opinions regarding the meaning and scope of the standard. In other words, there were different opinions on how the scope of compensation would extend or how this standard was interpreted

(Dellmuth, Scholte & Tallberg, 2019). Many questions regarding this were raised, whose answers brought controversial results. For example, one of the main questions regarding the scope of compensation was if the investor should be included as an object of protection. In other words, the question was if the government should compensate for the physical attacks against the investor themselves; namely, what kind of damage such an attack would constitute. If the investor could prove that they had suffered economic damage because of the attack, there should be no problems in awarding them due compensation (Evans, 2012). It is questionable however, if compensation could be awarded for moral damage that the investor would, as a rule, suffer because of the physical attack. The available arbitration practice offers no examples of such compensation being requested, although the position of the Arbitration Tribunal in *Rompetrol v. Romania* could be taken as a guideline (Miljenić, 2019). This tribunal expressed the following view: “(...) moral damages cannot be admitted as a proxy for the inability (of the claimant N/A) to prove actual economic damage.” Hence, the investor would have no right to compensation for moral damage suffered as the consequence of a physical attack if they could not also prove the actual economic damage, they had suffered (Italaw, 2010). In this way, according to Dumberry (2010), these questions and many other similar queries have been raised and legally discussed among international lawyers and scientists, especially after World War II.

Right around then, the question of whether these standards were needed coincided with the surfacing of Fair and Equitable Treatment Standards (FETS). These two standards can be regarded as separate standards, but they overlap in many respects (Miljenić, 2019). In this sense, according to Foster (2012), the overlapping of these two standards could be explained by the fact that they both originate from the same norm of international customary law, but over the course of time, different practice has developed in the implementation of these two standards.

In fact, the FET standard has consisted mainly of the obligation of the recipient country to refrain from certain forms of actions that could prove detrimental for the investor or the investment, whereas the standard FSP represents the obligation of the host state to actively work on the creation of an environment that guarantees the security of the investor and of the investment. As Schreuer (2010) says, it seems to be more justified to regard these two as different standards, since it seems rather unconvincing that these two standards, which are separately stated in the treaties, should

have the same meaning. There will be more discussions about the relation between the FSP and other standards in our research. Many other important questions were also posed by tribunals and jurisprudence. For example, the question of whether provisions referring to “Full Protection and Security” and Full Protection and Security to Customary International Law create independent treaty standards or are merely references to the international minimum standard under customary international law has been the object of some debate. Article 1105(1) of the NAFTA refers to both FET and to Full Protection and Security¹³ and is widely treated as reflecting the traditional international minimum standard. But this provision has certain peculiarities that are absent from most other treaty provisions dealing with the FPS: the provision refers to the “Minimum Standard of Treatment” in the heading—an evident reference to general international law. In addition, Schreuer (2010) adds that the provision refers to FET and to the FPS as part of international law: “international law, including FET and full protection and security”. Both features suggest that, under this provision, full protection and security, as well as FET, are indeed part of international law.

This research explores the meaning of FPS and the legal and rational expectations regarding the hosting government in terms of due diligence so it could be understood how this standard, in addition to some related factors, influences foreign investment and international capital movement.

4.2.1 Standard Origins

The standard basis for protecting a foreign investor is based on state responsibility for injuries to aliens. Alien rights flourished during the Renaissance and continued to advance until World War II. After World War II, it was not uncommon for lawyers and capitalists to work to prevent the rights of foreigners from being violated. Knowing the origins of the standard of protection is important because much of the knowledge about this concept is derived from customary law. Even in international treaties if the “relevant rules of international law applicable

¹³ Regarding all this issue the article 1105 of the NAFTA states Minimum Standard of Treatment: 1. Each Party shall accord to investments of investors of another Party treatment in accordance with international law, including fair and equitable treatment and full protection and security (SICE, 2022).

in the relations between the parties” (The United Nations, 1969). After the origins and historical issues, traditional principles became customary law, and customary law found its place among codified law (Miles, 2013).

The world is now in a moment when the exact meaning and scope of this standard is still unclear. Therefore, examining the origins of this standard will bring us closer to its exact meaning. On the other hand, in international lawsuits, the need to recover the historical roots of this standard has been seen. In the case of *Suez v Argentina* (2010), the arbitrators presented an argument and examined the historical origins of the standard for the protection of investor claims based on the inclusion of legal stability (Italaw, 2010).

Certainly, in examining the origins of the standard, the research begins from a point where purely historical issues are not examined and what is said in the following is to understand the concept and knowledge of the scope of this standard. If the thesis wants to go beyond the traditional principles of the protection of foreigners, as found in ancient times until the Renaissance, and even after in modern times, the introduction of the standard of protection has been tied to the customary legal principles of equality of foreigners and their protection. The Calvo Doctrine was developed by the Argentinian legal scholar and diplomat Carlos Calvo in 1868. A book written by Carlos Calvo in 1868 titled the *International Law of Europe and America* set out some international rules regarding the collection of indemnities and the authority that countries have over aliens in international disputes. Calvo states that an alien who signs a contract with this clause consents to the jurisdiction of a specific government. The Calvo doctrine was advanced in 1868 by Carlos Calvo, then promoted by Argentine Minister of Foreign Affairs Luis Mara Drago in 1902. It was not uncommon for diplomatic correspondence to refer to Calvo’s work, both in Latin America and in other regions of the world. In part due to the question of state responsibility for acts of individuals, the doctrine of equality has sometimes been more accepted than the minimum standard (Polanco, 2014).

In the decades before World War II, one of the most contentious questions of international law concerned the idea of an international minimum standard of treatment. The minimum standard has long been recognized by authors, despite the inconsistencies and lively discussions that marked

its development in the prewar era. In addition, it is a generally recognized fact that the customary obligation to provide security and protection to aliens constitutes a minimum standard. Discussion continued as a result of the minimum standard's own vagueness; the minimum standard cannot be used to determine the scope of the standard's application. Up until the World War I period, the full protection and security standard maintained its position as a standard for commercial contracts that had continually grown in number. In the years of World War I (1914-1918), this standard had departed from the law of aliens. The situation changed after the war ended. As part of a series of peace treaties signed after World War I, Article 277 of the Treaty of Versailles of 1919 stipulated that "(...) the nationals of the Allied and Associated Powers shall enjoy in German territory a constant protection for their persons and for their property, rights and interests, and shall have free access to the courts of law" (Dumberry, 2016).

Correspondingly, Article 10 of the 1919 convention that revised the 'General Act of Berlin 1885' and the 'General Act of Brussels 1890' provided that "[t]he Signatory Powers acknowledge their obligation to maintain in the regions under their control actual authority and police forces sufficient to ensure protection for persons and property and, if the case should arise, freedom for commerce and transit." As set out in Article 22 of the Covenant for the League of Nations, the FPS was not disregarded in the formulation and implementation of League of Nations mandates. Each mandate authority was required "to secure to all nationals of states members of the League the same rights as are enjoyed by its own nationals with respect to entry into and residence in the territory, protection, acquisition of property, exercise of professions and trades, transit, and complete economic, commercial, and industrial equality." The FPS clause consistently appeared in treaties thereafter; however, the parties to the treaties were more explicit about the extent of the FPS standard. For example, in addition to granting "the most constant protection and security for their persons and property" to the nationals of each party, The United States-Germany Treaty of 1923 also mentioned in Article I "that degree of protection that is required by international law."

The FPS standard also saved its place in commercial treaties shortly after WWII. Its importance was obvious in international relations, where a new government's commitment to giving "sufficient protection of foreign property under international practice" was crucial in determining whether that country should be granted recognition. The first post-World War II treaty

between the United States and China of 1946 adopted, as its predecessors had, “the most constant protection and security.” However, “that degree of protection that is required by international law” was changed to “the full protection and security required by international law.” Only four U.S treaties - those with China, Italy, Ireland, and Iran - refer to the level of protection specifically relating to international law. In the multilateral perspective of that time, the Havana Charter of 1948 intended to establish the International Trade Organization (ITO) and also set out an obligation to recognize “adequate security for existing and future investments,” as mentioned in the article 12(2)(a)(i) of the charter (Havana Charter, 1948). In 1959, the FPS standard was incorporated into the first bilateral investment treaty (BIT) specifically designated for investment protection. the treaty between the Federal Republic of Germany and Pakistan for the Promotion and Protection of Investments. Its Article 3(1) read “(...) investments by nationals or companies of either Party shall enjoy protection and security in the territory of the other Party.” Since then, the protection and security of investment has been an intrinsic part of numerous BITs and other international investment agreements (IIAs). For example, it was set out in the Article 10(1) of the Energy Charter Treaty and Article 11(1) and the Article (2)(b) of the Association of Southeast Asian Nations (ASEAN) Comprehensive Investment Agreement.

The expansion of investment agreements, particularly BITs, was joined by a related absence of consistency. The FPS standard’s precise wording has shifted from one deal to another. “Full Security and Protection: “Full protection, and Security,”¹⁴ “Full security and Protection,”¹⁵ “Full and Complete Protection and Security,”¹⁶ “most constant protection and security”.¹⁷

4.2.2 Scope of Full Protection and Security Standard (FPS) as a customary standard of international business

By examining the origins of the Full Protection and Security Standard (FPS), it has been found that its birthplace was custom or, in other words, customary needs. In the eighteenth century,

¹⁴ Agreement for the Promotion and Protection of Investments art. 2(2), Tanz.-U.K., Jan. 7, 1994, T.S. No. 90.

¹⁵ Agreement on Encouragement and Reciprocal Protection of Investments art. 3 2, Czech-Neth., Apr. 29, 1991, 2242 U.N.T.S. 205.3(2).

¹⁶ Agreement on the Reciprocal Promotion and Protection of Investments, art. 4(3), Fr.-Mex., Nov. 12, 1998.

¹⁷ Energy Charter Treaty art. 10, Dec. 17, 1994, 2080 U.N.T.S. 100.

with the emergence of the academic debate between naturalists and classical positivists about the role of government in protecting foreigners, sparks of hope emerged for a consensus on the commitment of states to protecting foreigners. This debate continued in the nineteenth and twentieth centuries, and the issue of the “standard of civilization” was seriously raised among states. Today, most of this controversy is practically resolved. The present state practice indicates that the FPS standard has acquired a common character, its obligation is to provide security to foreigners by ensuring that they enjoy the same conditions as their own citizens. These controversies have mostly been resolved at present. According to current state practice, the FPS standard has acquired a customary character (Paparinskis, 2013).

Furthermore, FPS is generally considered to be a component of the international minimum standard of treatment (Foster, 2012). The current international consensus is that the host state does not necessarily fulfill its obligation to provide security to aliens by ensuring that they enjoy the same conditions as its own citizens. There is, however, a question as to the actual scope of the customary security obligation. While the meaning of security cannot be deduced from the concept of security itself, the recognition of security as a relational notion facilitates the determination of the characteristics of FPS as an international obligation (Zeitler, 2006).

While the idea of standard is widespread, there are no univocal definitions of it in legal science. Scholars have attempted to distinguish standards from other types of norms, thus avoiding their use as an umbrella concept. In this section, the question is whether or how the notion of standard could be useful or relevant for the evaluation of the FPS standard (Diehl, 2012). A similar question was asked about the “fair and equitable treatment” standard. In one of the first comprehensive studies on the subject, Ioana Tudor attempted to explain the “fair and equitable treatment” standard in terms of the distinction between rules and standards (Tudor, 2009).

She concluded that “given the flexibility of the term and the way it is adapted and applied to a case, the FET does not have a stable or fixed content”. This statement has received strong criticism (Klager, 2011). Stephan Schill has suggested that Tudor’s conclusion is inconsistent with the usual character of the FET standard (Schill, 2010)

“Tudor is right in stressing the central role of arbitrators in bringing FET to life. Yet, her conclusion on the lack of a fixed content reinforces the contradiction addressed earlier, namely how a norm without a fixed content can become a norm of customary international law” (Tudor, 2009).

The author believes the lack of a defined content ought not to weaken a norm’s presence or authoritative character. Indeed, standards don’t exist in a factual emptiness: just as rules, they refer to more or less particular real settings and, consequently, have a more-or-less delimited scope of application (Schlag, 1985).

4.2.3 Scope *Ratione Materiae*¹⁸ of FSP and due diligence

To clear up any ambiguities about the scope of the FSP standard, arbitral tribunals in most cases have considered the standard to be only for physical protection. Those who have explored modifying the standard and tried to better understand it consider this to be the dominant tendency and general understanding of it (Junngam, 2018). For the better functioning of FSP, a wider scope is considered for the standard. Below is the opinion of the arbitrators in one of the most important awards that showed a new way of approaching the standard. It can be seen that legal protection also includes the protected standard and the scope of the standard. The tribunal decided that the obligation to include the Full Protection and Security Standard under the BIT was related to protection from physical harm. There had been no finding in this case that the respondent failed to protect claimant’s investment from physical harm, and thus no breach of the Full Protection and Security Standard occurred (Italaw, 2014a).

In another of the most important cases, the arbitrators rejected the investor’s claims of legal protection and based on the existing procedure, considered Full Protection and Security to be related to physical harms (Italaw, 2007): “(...) 324. The Tribunal observes that notions of FSP in international law have traditionally been associated with situations where the physical security of the investor or its investment is compromised”.

¹⁸ Subject-matter jurisdiction. The jurisdiction *ratione materiae*, or subject-matter jurisdiction. Under Article 25(1) of the ICSID Convention is thus defined as “any legal dispute arising directly out of an investment” (UNCTAD, 2003).

This approach, which has been repeated in other awards, has spread to treaty practice, and in some examples, the term ‘physical protection’ is used to prevent any misinterpretation and limit the scope of the FSP standard. It is stated in article 10 of the New Zealand-Taiwan Economic Cooperation Agreement:

Minimum Standard of Treatment. 1. Each Party shall accord covered investments treatment in accordance with the customary international law minimum standard of treatment, including fair and equitable treatment and full protection and security. 2. The obligation in paragraph 1 to provide: [. . .] (b) “full protection and security” requires each party to take such measures as may be reasonably necessary to ensure the physical protection and security of covered investments. 3. The concepts of “fair and equitable treatment” and “full protection and security” do not require treatment in addition to or beyond that which is required by the customary international law minimum standard of treatment, and do not create additional substantive rights (New Zealand Treaties Online, 2013).

Instances of physical harm extracted from arbitral awards involve: (1) physical violence, civil disturbance, civil unrest, and civil strife;¹⁹ (2) threats and attacks on investment;²⁰ (3) physical invasion of business premises or investment sites;²¹ (4) rioting and looting;²² (5) attack and seizure of property;²³ (6) impairment affecting the physical integrity of investment by forceful interference, etc.²⁴

Nonetheless, the debate over whether the scope of the standard is more than physical protection is still ongoing, and there are authors who continue to critique the arbitration process and suggest a new way of looking at the standard. Foster and Weiler are in this category. Considering the limitation of the standard to physical protection as indefensible, they explain that

¹⁹ In this regard see: Italaw (2015).

²⁰ See: Italaw (2006).

²¹ See: Italaw (2014).

²² See: Italaw (1997).

²³ See: Italaw (2000).

²⁴ See: Italaw, 2006) and Italaw (2012).

if we restrict this standard to physical protection, it will not be enough, and that current practice is taken from old historical opinions on the physical property of the investor. Also, by looking at the nature of a customary standard, they defend a wider interpretation and making the standard more efficient (Foster, 2012). Todd Weiler, supporting the broad interpretation, stated:

The heretical version of the P&S standard, too commonly espoused today, is that it requires the host State to take reasonable steps, as are within its means, to police its territory so as to prevent the alien's tangible, physical investments from coming to harm (such as being vandalized, looted and/or gutted during a period of unrest). The history of the P&S standard does not support such a narrow construction any more than does the unadorned text of most IIA treaties. The P&S standard applies to more than just 'bricks and mortar' investments and it requires more of a host state than just maintaining a police force so as to provide non-discriminatory protection and security to foreigners during a riot (Weiler, 2013).

One of the major issues raised about the scope of FSP standard and its due diligence is about tangible and intangible assets. Investment and capital in today's world may include both tangible and intangible assets, and harm to both types is possible. In particular, with the advancement of technology and the digitalization of property and documents, their protection and the observance of duplicity in respect of the intangible property of foreign investors by governments will be encountered more and more. In recent years, some arbitral awards have been issued in support of the inclusion of both types of assets. In these lawsuits, governments have usually limited the scope to tangible assets and the physical damage on them, but arbitrators have rejected their claim, arguing that the protection of property includes both tangible and intangible property: "The Tribunal is of the view that while the traditional notion of Full Protection and Security Standard addresses the protection of property from physical threats and injury, it can, in appropriate circumstances, include the protection of intangible assets which fall within the scope of the definition of an investment in the relevant treaty" (Italaw, 2017).

In a similar manner, in the case of *Vivendi v Argentina* the respondent had argued that the standard of protection and full security was restricted to physical interference. The Tribunal, by rejecting their reasoning, argued:

(...) If the parties to the BIT had intended to limit the obligation to ‘physical interferences’, they could have done so by including words to that effect in the section. In the absence of such words of limitation, the scope of the Article 5(1) protection should be interpreted to apply to reach any act or measure which deprives an investor’s investment of protection and full security, providing, in accordance with the Treaty’s specific wording, the act or measure also constitutes unfair and inequitable treatment. Such actions or measures need not threaten physical possession or the legally protected terms of operation of the investment. Thus, protection and full security (sometimes full protection and security) can apply to more than physical security of an investor or its property because either could be subject to harassment without being physically harmed or seized (Italaw, 2007b).

National Grid P.L.C. v Argentina is another example:

Given that these terms [‘protection and constant security’s in article 2(2) of the Argentina-UK BIT] are closely associated with fair and equitable treatment, which is not limited to such physical situations, and in the context of the protection of investments broadly defined to include intangible assets, the Tribunal finds no rationale for limiting the application of a substantive protection of the treaty to a category of assets – physical assets – when it was not restricted in that fashion by the Contracting Parties (Italaw, 2008).

However, if both tangibles and intangible are considered part of the standard’s scope, the meaning of physical protection and its application to intangible property is still inexplicit, and there is no specific criterion and indicator for this physical protection. In Siemens v Argentina the Tribunal noted: “As a general matter and based on the definition of investment, which includes tangible and intangible assets, the Tribunal considers that the obligation to provide Full Protection and Security is wider than “physical” protection and security. It is difficult to understand how the physical security of an intangible asset would be achieved” (Italaw, 2007a).

For this reason, some believe that the combination of physical protection as commonly understood with intangible property is unclear, so the type of protection that should be considered

for digital property is the protection of property rights such as intellectual property. That is because they are not physically harmed, but there is a possibility of aggression and trespassing against them, and this violation is against their rights (Collins, 2011). In one of the most pioneering arbitral awards, this issue is clearly stated:

According to Claimant, legal scholars and decisions of international tribunals confirm that the contemporary understanding of the FPS guarantee goes beyond physical protection to include the violation of the rights of investors by operation of the laws of the host State. Claimant defends the extension of the FPS standard to legal protection based on the following arguments: 1) Definition of investment in Art. I(a) of the BIT includes intangible assets, which only enjoy full protection and security through legal; and 2) There is no overlap between the FET and FPS standards, because the latter involves the positive obligations of care and due diligence (Italaw, 2015).

Few arbitrators and scholars have sought to make legal protection part of the scope of FSP and its due diligence by altering or expanding the scope of standard. Nevertheless, several arbitrators and authors have argued for such protection in the realm of standard and given reasons for it, and it is still a matter of debate, and not everything that is said for legal protection could be considered part of the scope (Malik, 2011). The debate over the inclusion of legal protection in the scope of the standard and the due diligence began with an arbitration award in 2001. In the case of *Lauder v. Czech Republic*, for the first time the arbitrators considered it the duty of the host government to protect the rights of investors if they have a proper judicial system:

The investment treaty created no duty of due diligence on the part of [the Respondent] to intervene in the dispute between the two companies over the nature of their legal relationships. The Respondent's only duty under the Treaty was to keep its judicial system available for the Claimant and any entities he controls to bring their claims, and for such claims to be properly examined and decided in accordance with domestic and international law (Italaw, 2001).

There are even terms in some international treaties that indicate legal security and are sometimes referred to in arbitrations (Italaw, 2007a). In the Energy Charter Treaty, there is a phrase of “most constant protection and security”. Walde explains the standard as going further than “police protection” in the physical form of security. But this standard would also involve economic regulatory powers:

This obligation would not only be breached by active and abusive exercise of State powers but also by the omission of the State to intervene where it had the power and duty to do so to protect the normal ability of the investor’s business to function. . . a duty, enforceable by investment arbitration, to use the powers of government to ensure the foreign investment can function properly on a level playing field, unhindered and not harassed by the political and economic domestic powers that be (Walde, 2004).

Schreuer provided another example with the ELSI case, the arbitrators did not limit the protection mentioned in a Treaty of Friendship, Commerce and Navigation treaty to physical protection and extended its scope to legal security (Schreuer, 2010).

In *Compañía de Aguas and Vivendi v. Argentina* the tribunal rejected the argument that the protection and security standard was limited to physical violence:

If the parties to the BIT had intended to limit the obligation to “physical interferences,” they could have done so by including words to that effect in the section. In the absence of such words of limitation, the scope of the Article 5(1) protection should be interpreted to apply to reach any act or measure which deprives an investor’s investment of protection and full security, providing, in accordance with the Treaty’s specific wording, the act or measure also constitutes unfair and inequitable treatment. Such actions or measures need not threaten physical possession or the legally protected terms of operation of the investment. Thus, protection and full security (sometimes full protection and security) can apply to more than physical security of an investor or its property, because either could be subject to harassment without being physically harmed or seized (Italaw, 2007b).

Efforts have been made, and will continue to be, to expand the scope of the standard and include legal protection. But one must be very careful about opinions supporting this view and utilizing them for further arguments. Legal security itself must also have a framework and rules. Some opinions in this regard have concluded that legal protection generally includes the obligation of the government to establish a proper legal framework through which the investors are able to effectively protect themselves and their property (Schreuer, 2010). In turn, Junngam (2018) concludes on the basis of arbitration awards that it is better to consider legal security part of the standard and due diligence scope because that is what is preferred in contemporary international law. He argues that, contrary to popular belief, the historical foundations of the standard in ancient times contain both physical and legal protection. He also stated that some treaties explicitly consider legal security in the standard scope, and in the case of silence, it is preferable to include the term full protection and security standard for both (Junngam, 2018).

In fact, not all awards that make legal security a part of the standard has solid arguments or are left without analysis. For example, in *Anglo American PLC v. Bolivarian Republic of Venezuela* (2019), the arbitrators left the award only by stating that in the case of treaty silence, legal security is also in the scope of standard and due diligence. They did not explain their argument from their point of view:

Contrary to the Respondent's allegations, such a standard does not apply only in the context of the physical security of investments but also comprises a duty to afford legal security to investments. Venezuela's argument is not supported by the text of the Treaty or in decided cases, many of which, on the contrary, have held that treaty provisions drafted in similar terms should be interpreted broadly (Italaw, 2019).

In some cases, the FSP standard is considered equal to or the same as the FET, or the violation of one is considered a violation of the other. Therefore, what arbitrators mean in these cases by assuming legal protection as part of the standard's scope is debatable:

The Tribunal accordingly holds that the Respondent has breached its obligations to accord fair and equitable treatment under Article II (3) (a) of the Treaty. In the context of this finding the question of whether in addition there is a breach of full protection and

security under this Article has become moot as a treatment that is not fair and equitable automatically entails an absence of full protection and security of the investment” (Italaw, 2004). “The Tribunal concludes that an investor has not received fair and equitable treatment or that it has been subjected to arbitrary treatment or that the host State has not provided the investor the full protection and security guaranteed by the BIT” (Italaw, 2006a).

By analyzing the opinions of the authors and the arbitrators, it is clear that the discussion on the scope of the standard and its due diligence will continue, and according to each case, the judgments may be different. However, from what has been discussed, it seems that the impact of the legal security inclusion perspective on arbitration has increased over time, but the aspect of physical protection is still a little unclear as the main manifestation of the standard. From the author’s viewpoint, in order to include physical protection in the standard’s scope, this paper should be very careful and base the argument on the right and real basis. It may not be possible to decide simply by increasing the number of awards that include legal protection in the scope, and this is not necessarily a sign of stronger arguments and new rhetoric based on each case. The author believes that the nature of each agreement is separate, and the intention of both parties should be investigated; however, if nothing comes up and there is no explanation, then it is more rational to include protection for intangible assets as it does for tangible ones.

4.2.4 Due Diligence and its scope

On the authority of international investment law, due diligence is an obligation for host states to ensure that their territory is not a place in which measures adversely affect the interests of other states and persons. The key question usually is when a state can be said to have exercised due diligence. Some authors have defined a due diligence obligation by connecting it with good governance. For instance, due diligence is usually described as the “diligence to be expected of a ‘good government’, *i.e.*, of a government mindful of its international obligation” (FindLaw, 1977; Spedding, 2005; Katja, 2019).

The FPS standard requires host states to exercise due diligence regarding their own acts and acts by third parties rather than imposing strict liability upon them (Schreuer, 2010). Opinions

have differed on whether due diligence is for physical or legal protection. As was discussed in the previous section, some arbitral tribunals have extended their jurisdiction to legal protection. The same is true among scholars. Some authors have considered legal protection to include due diligence (Junngam, 2018), while others have called it a sign of Fair and Equitable Treatment and have considered due diligence to be inapplicable to legal protection (DeBrabandere, 2015).

To clarify, the meaning of due diligence and its scope could be both within the circle of debate regarding the scope of FPS. The author doubts that they are different issues and instead posits that they are part of one debate. Since the two concepts overlap and the standard requires the implementation of due diligence, the scope of the standard also applies to due diligence.

There has always been a debate between researchers and arbitrators about the assessment of due diligence, and it is not feasible to say with certainty what the criterion for measuring due diligence is. Subjectivity and objectivity of due diligence are the most important topics in the discussion about assessing and recognizing due diligence. Understanding the arguments used for these two concepts in the research literature so far can help authors, arbitrators, and litigants to better reasoning. But there is always a difference of opinion on this issue, and scholars do not seem to agree on this point. At the same time, the circumstances of each host country and each case can change our perspective.

In *Asian Agricultural Products Ltd (AAPL) v Sri Lanka*, the arbitrators made it very clear that two different criteria apply to due diligence and that there are two separate opinions: “A number of other contemporary international law authorities noticed the sliding scale, from the old “subjective” criteria that takes into consideration the relatively limited existing possibilities of local authorities in a given context, towards an “objective” standard of vigilance in assessing the required degree of protection and security with regard to what should be legitimately expected to be secured for foreign investors by a reasonably well-organized modern State” (Italaw, 1990).

The subjective standard was clearly implied in claims made within the Spanish Zone of Morocco (1924–1925). The debate concerned wounds and damages dispensed upon British subjects and British-protected people in the Spanish Zone of Morocco. Most of the claims in this

lawsuit related to damages resulting from the actions of private individuals, such as the destruction of property and robbery. Both parties of the lawsuit agreed to take their case to a judge named Max Huber. This judge's opinion was very effective in identifying the subjectivity and objectivity of due diligence:

To require such means to correspond to the circumstances would impose on the State a burden which it will often not be able to bear. Also, the argument that the vigilance to be exercised must match the importance of the interests at stake has not been accepted. Vigilance, which from the point of view of international law the state is required to guarantee, can be characterized by applying by analogy the Roman law term of *diligentia quam in suis*. This rule, consistent with the overriding principle of the independence of States in their internal affairs, in fact offers States, for their nationals, the degree of security which they can reasonably expect. As long as the vigilance exercised clearly falls below this level compared to nationals of a foreign State, the latter is entitled to consider this to be an injury its interests which should enjoy the protection of international law. What has been said about the due diligence with respect to general insecurity arising from the banditry, applies a fortiori to the other two situations envisaged above, namely common crimes and rebellion. In the first case, to require a vigilance beyond the *diligentia quam in suis* would require the State to provide special security services to foreigners, which certainly would go beyond the scope of accepted international obligations (with the exception of persons having a right to special protection). In the other case, that of the rebellion, etc., responsibility is limited because the public authority is faced with an exceptional opposition (DeBrabandere, 2015).

Huber's elaboration of *diligentia quam in suis rebus* gives an understandable parameter for the evaluation of the host state's conduct. In this regard, the due diligence normally practiced by the host government and how low the level of diligence is below the usual offered by the government is considered. Contrary to the above view, there is a school of thought on the objective criterion for due diligence. They often argue that because of the special circumstances of governments in general, the subjective criterion does not have efficiency in terms of the specific powers and tools accumulated by governments (Newcombe, 2009).

In contrast, some authors suggest that an adjusted objective standard of due diligence ought to take priority. To achieve this, they are aware that due diligence will come closer to subjectivity and, more importantly, reality within the international community. In spite of the fact that a full consideration of host states' shifting advancement, stability, and other assets as relevant for deciding whether they have exercised due diligence might run the risk of violating the minimum standard of treatment and rob the FPS standard of its value, they still support an altered objective standard - in the event that it is not underneath the threshold of the minimum standard of international law. Such a limit can be raised but cannot be brought down by the national treatment standard and the most-favored-nation treatment standard, whichever standard or combination of standards is likely to deliver the foremost advantageous results for investments. To elaborate, if host states exercise extra due diligence in dealing with their own nationals' investments, foreign investor's investments have to be dealt with in the same manner to ensure domestic parity (Junngam, 2018). In situations where the investments of investors with a foreign nationality receive extra due diligence from host states, those of other investors with a different foreign nationality will receive that due diligence to guarantee foreign equality. Hence, it does not appear adjustment is necessary to expect in common terms that the FSP standard provides no more protection than the national treatment and the most-favored-nation treatment (Dolzer & Schreuer, 2012).

In the case of *AAPL V. Republic of Sri Lanka*, the court has stated that a certain level of objectivity must be considered in order to measure due diligence. This is the level of reasonable caution and attention that a civilized government is expected to provide for foreign investors (Italaw, 1990). This solution and framework were gradually introduced in several awards. Today, arbitrators, unlike in the past, recognize such a method as a means of measuring due diligence:

The Respondent was obliged to take reasonable steps to ensure that the Claimant was properly and in a timely manner informed that he was the subject of a criminal investigation and why.... The Respondent further submits that Article 2 is a promise to provide physical protection and security that is adequate in the circumstances. It does not apply to regulatory conduct. According to the Respondent, even if the applicable standard were the "full protection and security" standard common to a "regular" BIT, it would not exceed the duty of care found in customary international law. The high point

of the duty is to provide no more than a reasonable measure of prevention, which a well administered government could be expected to exercise in similar circumstances (Italaw, 2014b).

In another award, with citing the case of AAPL, it was concluded:

The BIT requires that Argentina provide “full protection and security” to El Paso’s investment. The Tribunal considers that the full protection and security standard (FPS) is no more than the traditional obligation to protect aliens under international customary law and that it is a residual obligation provided for those cases in which the acts challenged may not in themselves be attributed to the Government, but to a third party. The case-law and commentators generally agree that this standard imposes an obligation of vigilance and due diligence upon the government (Italaw, 2011).

In another example:

In response to Respondent’s arguments, Claimants submit that the weight of relevant jurisprudence indicates that full protection and security clauses are not limited to physical harm and cover the protection and security of intangible assets. Further, Claimants say that they do not claim that the full protection and security standard amounts to “an obligation to assume full responsibility”. However, the standard compels the host State to act with due diligence, requiring the reasonable measures of prevention which a well-administered government could be expected to exercise in the circumstances (Italaw, 2017a).

It seems that if the objective view was adjusted in the above cases, it can be more effective in identifying due diligence. Some scholars and arbitration awards have similar opinions in this regard, and in recent years, tribunal decisions have moved in this direction. In this way, Newcombe (2009) found:

The extent of due diligence an investor may expect will vary

(...) according to local conditions. This means that due diligence is limited by a state's capacity to act – a state will not be responsible when action would have been impossible. Although the host state is required to exercise an objective minimum standard of due diligence, the standard of due diligence is that of a host state in the circumstances and with the resources of the state in question. This suggests that due diligence is a modified objective standard – the host state must exercise the level of due diligence of a host state in its particular circumstances. In practice, tribunals will likely consider the state's level of development and stability as relevant circumstances in determining whether there has been due diligence. An investor investing in an area with endemic civil strife and poor governance cannot have the same expectation of physical security as one investing in London, New York, or Tokyo (Newcombe, 2009).

In *Ampal v Egypt* (2017) the tribunal finds that the reasonableness of the State's response should be assessed by the degree of the disorder and the scope of its resources (Italaw, 2017b).

Therefore, this thesis reaches the conclusion that due diligence should not be defined and measured solely on the basis of a theoretical framework. In this regard, the arbitral awards should be based more on the facts of the case than on citing past arguments. Of course, our purpose is not to support the host governments, but to show the way for both parties, the foreign investor and the host government. The suggestion of this research is that as far as possibilities in the treaties and agreements go, due diligence and even the FSP standard itself should be fully explained and agreed upon. In this regard, both parties, if they consider diligence reasonable prevention and caution or attention, should specify this in their agreement by drawing up a specific process so that in their transactions they may find a traceable way to protect investors and their capital, and in the case that the agreement does not clarify the scope of due diligence then it would be a heavy weight on the shoulder of the tribunal to observe various factors to understand what was really the intention of both parties, in addition to analyzing the real circumstances of the investee. Once again, it is not very simple to dig in and find out how far the diligence should go and if it did not reach the correct point, then how to compensate.

Compensation granted to a foreign investor should be to provide reparation for the harm caused by the failure of the state to exercise due diligence, not to supply reparation for the damage

caused by the act of the third party. The practice of arbitral tribunals however does not address this question in detail, notably since findings of violations of the failure of a state to exercise due diligence in connection to FPS or even FET have been almost totally absent. There is no reason to depart from the rule, long since established in customary law, and in line with the wrongful act in question, that it isn't the act that has caused damage, but rather the failure to provide protection and security. The responsibility of states for breaching their commitments to exercise due diligence in preventing a harm caused to a foreign investor or venture, or for failing to exercise due diligence in apprehending and rebuffing the third party responsible for that harm, is not an "indirect responsibility" of the state for the act committed. The act attributable to the state is not the act that has caused damage, but the failure to exercise due diligence (DeBrabandere, 2015).

In any case, the decision of international investment can be influenced by all the above issues, especially the minimum international standard of treatment. When the investor is frightened of losing the whole investment, it would not be a field of huge interest. However, the fears of the investor and how the host country approaches the foreigner investor cannot be ignored.

The country that accepts foreign investment would also have to consider the risk posed to the power of investors in their country. In fact, the acceptance of investment would be valuable when it brings a positive effect to the economy of the country if it does not result in a very high risk of compensation and the conquest of foreigners. Therefore, it is important to balance both sides and to not give wrong expectations or a wrong interpretation of the conception of due diligence and process of compensation.

The author concludes that due diligence has tended to be treated in former tribunal's awards as objective and also including tangible and intangible assets. In fact, recognition of such responsibility will assist foreign investors to understand their risk and finally help them to decide about the movement of their capital to the hosting country. The research examines legal aspects of the issue in order to help a foreigner investor to make his/her decisions regarding international business. One should understand what happens in case of damages to assets and how they could be compensated and regarding which properties. The important point here is that considering both subjective and objective scopes, the strict liability of governments in due diligence is not

recognized for the host states. There is a consensus on this matter and the investor should be aware of any agreement, treaty, or any content regarding the FSP and the scope of due diligence.

4.2.5 Fair and equitable treatment (FET) and other international investment standards

To develop a better understanding of the FSP, it is needed to know what the other international investments are and how one or some relate to the FSP. In fact, other international investment standards could give us a better picture of how they protect and support foreign investment to balance the relationship between the hosting country and the foreign investor. The goal of this study is to assist investors in comprehending the risks of such investments and how they could secure protection in the case of the loss of their property.

In doing so, this thesis will try to explain the nature of each international investment standard, starting from FET. In most of the relevant articles and tribunal decisions, the term fair and equitable treatment standard has been mentioned. Due to the background of FET and its documented use in numerous arbitration and judicial opinions, it is thought that there is a connection or at least a comparison between it and FSP. Many courts have argued that the FSP is on the other side of the FET and that it is the only FET that has another interpretation called the Full Protection and Security Standard (Schreuer, 2010).

FET has a significant history as one of the criteria of investment business and law. Some authors even consider the status of FET as pre-eminent and refer to it as the core of the investment protection standard (Diehl, 2012). Its appearance traces back to the Havana Charter of 1948. This was a charter that was never enforced but had an important impact on subsequent investment treaties. After the end of World War II, the United States began to enter friendship agreements with other countries. It incorporated the FET standard into treaties to protect citizens' rights and ensure fair treatment. Since then, the inclusion of this standard in investment treaties has become commonplace (Vandeveld, 2010).

As Dolzer (2014) recounts, it was by the tribunal in PSEG v. Turkey in 2007 that the nature of FET was properly characterized. The standard of FET has a distinction in arbitrations as a result of the fact that other standards customarily put up by international law are perhaps not fully suitable for the conditions of each case. This is especially so when the facts do not vividly reinforce the claim for direct expropriation, but when there are situations that need to be evaluated under another standard to provide compensation in the event that the rights of the investor have been breached. Because the role of fair and equitable treatment changes from case to case, it is sometimes not as precise as would be desirable.

Fair and equitable treatment is an international minimum standard. Contrary to the comparative standards of National Treatment (NT) or Most Favored Nation (MFN), fair and equitable treatment is an absolute minimum standard. It is independent of the treatment designated to the host state's nationals or to nationals of a third state (Schreuer, 2010). The NAFTA Free Trade Commission has noted on the definition of minimum standard in the NAFTA treaty:

Minimum Standard of Treatment in Accordance with International Law¹. Article 1105(1) prescribes the customary international law minimum standard of treatment of aliens as the minimum standard of treatment to be afforded to investments of investors of another Party. 2. The concepts of 'fair and equitable treatment' and 'full protection and security' do not require treatment in addition to or beyond that which is required by the customary international law minimum standard of treatment of aliens.

The subject of whether FET and FSP are two separate standards, or two sides of the same coin has long been debated between courts and authors. Advocates of distinction between the two standards argue that with regard to the typical perception of the term, it is not easy to recognize why the parties to a treaty would mention Full Protection and Security when they mean the "minimum standard under customary international law". This is particularly so if the treaty in question, as is often the case, contains a separate reference to general international law (Schreuer, 2010). Some arbitrators argue that violating the FET does not necessarily mean violating the FSP,

and vice versa: “7.80 (v) Full Protection and Security: The second part of Article 10(1) ECT requires Hungary to ensure that all covered investments “shall also enjoy the most constant protection and security”. The FET standard and this FPS standard are two distinct standards of protection under the ECT, dealing with two different types of protection for foreign investors (Italaw, 2015a).

Some authors have argued that the FSP is a distinct standard because it functions differently for the violator:

Unless otherwise expressly defined in a specific BIT, the general FPS standard complements the FET standard by providing protection towards acts of third parties, *i.e.*, non-state parties, which are not covered by the FET standard. Thus, where an incriminating act is done by a State-organ, the applicable standard is the FET standard, whereas where such act is done by a non-state entity, the applicable standard becomes the FPS standard (Italaw, 2015b).

There are opponents of the above view, with some believing it is futile to discern between the two standards. If one of them is breached, the other one must be considered breached as well. They suggest that there is no need to engage into a debate over the comparison or relationship between the FET and FPS standards. They say it is irrelevant to talk about FPS individually after a breaching of the FET standard and vice versa. This is the case regardless of whether the claimant referred to the same facts already giving rise to a breach of the FET standard or different facts specifically alleged as being in breach of the FPS standard. This is notwithstanding of whether the claimant cited to the same facts already referred to the FET standard or distinctive facts specifically alleged as in breach of the FPS standard (Junngam, 2018). In one of the best examples, the tribunal has the same opinion on the idea that breaching one standard means breaching the other. It is important to read the exact argument:

The Tribunal is persuaded of the interrelationship of fair and equitable treatment and the obligation to afford the investor full protection and security. The cases referred to above show that full protection and security was understood to go beyond protection and security ensured by the police. It is not only a matter of physical security; the stability afforded by a secure investment environment is as important from an investor's point of view. The Tribunal is aware that in recent free trade agreements signed by the United States, for instance, with Uruguay, full protection and security is understood to be limited to the level of police protection required under customary international law. However, when the terms "protection and security" are qualified by "full" and no other adjective or explanation, they extend, in their ordinary meaning, the content of this standard beyond physical security. To conclude, the Tribunal, having held that the Respondent failed to provide fair and equitable treatment to the investment, finds that the Respondent also breached the standard of full protection and security under the BIT (Italaw, 2006a).

The writer of this thesis is on the side of those who separate the two standards. FSP is about particular risks and functions, and due diligence is implied by this type of protection. FSP and FET are cross-cutting but designed to achieve distinct goals.

One of the other important standards is National Treatment, which is a principle in international law. Utilized in many treaty regimes involving trade and intellectual property, it requires equal treatment of foreigners and locals. National treatment is the principle of giving others the same treatment as one's own nationals. National treatment also applies to imported goods once they enter the market, foreign and domestic services, and to foreign and local trademarks, copyrights, and patents (Mutsau, 2017).

Essentially, National Treatment is inferred to compare the status of foreign investors to those of domestic investors who enjoy "like circumstances". Where the treatment given to foreign investors is less agreeable and favorable than that given to domestic investors, a neglect of the

standard results, and there would be no rationalization for dissimilar treatment (Dolzer & Schreuer, 2012). The author believes that these two standards are utilized for different purposes.

Most favored nation (MFN) is another important international investment law which means to provide MFN treatment under investment agreements and is generally interpreted as an investor from a party to an agreement, or its investment, would be treated by the other party “no less favorably” with respect to a given subject-matter than an investor from any third country, or its investment. Additionally, The International Law Commission (ILC) has defined MFN treatment as follows: “Most-favored nation treatment is a treatment accorded by the granting State to the beneficiary State, or to persons or things in a determined relationship with that State, not less favorable than treatment extended by the granting State or to a third State or to persons or things in the same relationship with that third State” (United Nations, 1978).

There is a debate in legal circles as to whether MFN clauses in BITs include only substantive rules or also procedural protections. The members of the World Trade Organization (WTO) agreed to accord MFN status to each other. Exceptions allow for preferential treatment of developing countries, regional free trade areas and customs unions. All of these legal frameworks developed within the multilateral trading system as well as the same international trade treaties negotiated, signed and finally agreed among different states and their governments in order to ensure stability, predictability and even international cooperation for enhancing trade transactions (McClure, 2011; Rojas; 2016; Rojas & Montoya, 2019; Baena-Rojas & Herrero-Olarte, 2020; Rojas, & Pineda; 2020).

Article 11(2)(a)(i) of the Havana Charter states:

“(…) to assure just and equitable treatment for the enterprise, skills, capital, arts and technology brought from one Member country to another” (Havanah Charter, 1948).

4.2.6 Investor protection in Iran

A crucial point in the history of foreign investment in Iran dates back the year 1955 when the government, in order to control and secure the performance of foreign investments, in 1955 adopted a code entitled the Law of Attraction and Protection of Foreign Investment (LAPFI), which resulted in the return of the original and the benefits obtained from investment guaranteed by the government (Hojabr & Nahidi, 2010).

From 1956 until 1979, more than 255 companies in the form of joint ventures were registered, with \$370 million capital. Before 1979, Iran was in the top 5 developing countries in terms of attracting foreign investment. Also, before the victory of the riots in 1979, 367 foreign companies were registered in Iran, about 18% of these companies were American, 14% German, and 12% were English (Rahimin, 2004). This shows how the market of Iran could be interesting for foreign investment and why it has been chosen as one of our most important examples in our research.

After the revolution of 1979, foreign investment experienced a great recession. During recent years and despite the ratification of a law for the encouragement and protection of foreign investment, the country has developed an inadequate profile in foreign investment inflows (Sarfaraz, 2007). Internal unrest caused by the riots, the uncertainty of the ownership of the private sector, restrictions and laws related to the transfer of currency from the country, limited trade law, etc. are factors that have slowed down and even stopped foreign investment in Iran. In fact, the main decrease in foreign investment was in the post-revolutionary period (Hojabr & Nahidi, 2010). Threats to political security are the most sudden events that affect the status of the foreign companies active in the affected country (Ilan & Herbert, 2009). Hence, our theory of importance of security and stability for investment and bringing more capital to hosting country could be simply proven in practice.

After the 1979 riots, the parliament of the Islamic Republic passed a second major act for foreign investment in 2002 titled the Foreign Investment Promotion and Protection Act (FIPPA). FIPPA has provisions on the standard of treatment in protections and facilities. Article 8 provides that “foreign investments under FIPPA shall equally enjoy all rights, protections and facilities

available to local investments.” FIPPA qualifies security standards to foreign investments by guaranteeing them equal and non-discriminatory treatment without any exceptions. According to this act, credit guarantee and repatriation of capital are included. Article 19 provides that:

“(…) Upon approval by the Board of Ministers, the Authority is empowered, within the framework of its approved plan and budget, to obtain and guarantee credits from domestic and foreign sources for the purpose of implementing infrastructures and productive projects. Repayment of these credits shall take place only through drawing on revenues of the zone concerned.”

Article 20 also stated:

“(…) Inflow and the outflow of capital and repatriation of profits generated by economic activities in each Zone are permitted. The required regulation for attraction and protection of investment in each Zone and the modality and participation of foreigners in activities in each Zone shall be approved by the Board of Ministers.”

The enactment of the Foreign Investment Promotion and Protection Act (FIPPA) in 2002 was an effort to demonstrate more security for foreign investors. But in fact, it is possible to note that the cases in which security was created was limited to a number of economic issues and registration and admission regulations. Also, some cases such as physical protection of foreign investors and their property are left to the generalities, such as Article 8 and 9 of this code. Therefore, this act was not in full accordance with the FPS standard in theory and does not add a due diligence framework with regard to the scope of physical protection or otherwise:

“Article 8. Foreign investments under FIPPA shall equally enjoy all rights, protections, and facilities available to local investments.”

“Article 9. Foreign Investments shall not be subjected to expropriation or nationalization, unless for public interests, by means of the legal process, in a non-discriminatory manner, and

against payment of appropriate compensation on the basis of the real value of the investment immediately before the expropriation.”

As mentioned above, many Americans had invested in Iran before the revolution, so they were furious when their property and investment was expropriated, whether directly or indirectly. The investors who lost their capital due to the revolution urged for a solution through myriad diplomatic endeavors. The country of Algeria stepped in as a mediator, and that was the time in which the Iran–United States Claims Tribunal was established. Prior to the 1979 riots, the United States and Iran had a strong cooperative relationship, in which both states appraised the other as a loyal and powerful ally. This relationship resulted in significant foreign investment by both countries but ended with a multitude of conflicts as the new Islamic Republic of Iran refuted any Western influence on any issue in Iran, let alone investment (Caron, 1990).

In the ‘Treaty of Amity, Economic Relations and Consular Rights’, the most important and major investment treaty between the pre-revolution U.S and pre-revolution Iran, the security standard obligation had been embedded explicitly in articles 2(4), 20 and 4(2). The US-Iran Claims Tribunal ruled upon these legal provisions in matters such as the calculation of compensations and the security of investors (US Department of State, 1957).

There are also several cases that address the issue of physical security and protection of American investors in Iran. In ‘Combustion Engineering, Inc. v. Iran’ American claimants claimed that in September 1978, the situation at the Pahlavi Steel Factory deteriorated, and they left Iran in late December 1978 and early January 1979 for the safety of their lives (Jus Mundi, 1991).

In ‘General Electric Company v. Iran’, Gatsco, an American subsidiary providing aircraft repair services, were Service Representatives of the main American investors in late 1978 and early 1979. They left Iran due to the security threat to their lives and the force majeure situation in Iran, especially in the industrial overhaul workshop. The airline was out of control, but it was not possible for these people to be in Iran’s riot before the contract expired on March 20, 1979. Therefore, in the opinion of the Court, due to force majeure on March 20, 1979, the contract was suspended and then expired. In such a situation where the aviation industry has not terminated the

contract in its own interest, physical protection was judged to be the reason for leaving the contractual obligations (Jus Mundi, 1991).

Iran had several cases in which the court considered direct and indirect expropriation, and some have been mentioned above. Apart from the result of the legal process, many investors were afraid of physical attacks or indirect expropriation after the revolution, and it sometimes brought fear of moving their capital to another country.

Political instability can occur in a country through violence, civil war, strike, coup d'état and the collapse of government. This can affect business and investments in a country, because no business or investment wants to operate in an unstable micro economy. Those businesses and investments will face loss, death and decline. It has a great effect on the income of a country (Gyimah-Brempong & Traynor, 1999).

This thesis later goes into more depth about how instability has brought negative results for investors, such as in Iran after the 1979 revolution. It analyzes how the FPS can impact the concerns of foreigner investors and investigates different business expert opinions through special surveys.

4.2.7 The importance of decision-making in international investment

In both real assets and financial investment, it is up to investors to choose the options for investment (Hilton, 2001). The investors need to regard external and internal factors. For example, inflation and investor supporting agenda in a foreign country are external factors, but internal factors are more cognitive and inside the investors' mind (Sevdalis & Harvey, 2007; Statman, 2017).

Investment choices are influenced by non-financial components. These incorporate context components as well as personality characteristics of investors, these directing the way in which the environment influences decision making (Holden, 2010). Information is external and environmental factor that impact investors' decision making to a great extent. In fact, in all cases

where investors are not aware or confident, they gather information to resolve their doubts. This information can come from a variety of sources (Mahmood, Ahmad, Khan, & Anjum, 2011)

Uncertainty could be a key figure in investment. Vague situations happen when the decision maker is not sure about what is progressing to take place and does not have data sufficient to estimate the likelihood of the diverse results of future occasions (Frisch & Baron, 1988). Uncertainty impacts decision making in an unexpected way as it brings risk, since risk, agreeing with the classic hypothesis, can be measured utilizing the probability distribution that is considered known (Ghosh & Ray, 1997).

Uncertainty about an environment and decision-making based on imperfect certainty can lead to a failed investment that has many negative consequences, even bankruptcies. The environment is the important physical and social elements that are considered during the decision-making action (Hambrick, 1981). For an investor, it is clearly important to promote the capital and stay away from instable situation so for making any decision, it is needed to know the environment of investee.

Arranging an investment is affected by the investor's past benefits and their surmises around future chances. In making their plans investors consider the anticipated benefit and the risk of different potential investment projects. When the anticipated rate of benefit surpasses the costs, the investors would like to invest. Indeed, the choice of investors is subjective. Their decisions are built upon the anticipated costs, their information of the progressed strategies and their risk recognition (Van Boxel, 2020).

Uncertainty could be a key figure in investment. A vague situation takes place when the decision-maker does not know what is processing to happen and does not have data sufficient to estimate the likelihood of the diverse results of future occasions (Ghosh & Ray, 1997). Many issues like riots, political problems or illegal expropriations may result uncertainty that will influence on the amount of capital movement to different countries.

As an example of decision making, this work could use Iran as an interesting place for investment that lost many foreign investors when revolution occurred, and many former investors lost their property. There were efforts from Islamic government of Iran to repair the psychological effect of the first revolutionary years like the security and protection rules mentioned in the last chapter, yet the statistics proves the plunge in the number of foreign investors since after (Sarfaraz, 2007).

For a beneficial investment, the investors have to recognize totally and accurately the likely opportunities and these choices ought to not be made in a rush. It is vital to identify the fundamental notions of investment decisions to gain the most value from the examination process. In investment assessment, the indicators must be chosen with respect to the nature of the project and the data gathered by the decision maker (Virlics, 2013).

Data and information regarding the environment such as political, economic, and cultural issues, which could have implications for stability, are part of our research and the project investigates how they are important for an investor. In other words, it is possible to see how the causes of stability have an influence on stability, and how these are important for an investor to make a decision regarding investing whether or not they feel secure.

Many issues could influence how an investor makes decisions. When the meaning of a decision is traced, it is clear that it is necessary to talk, research and think about a subject to be able to make a decision. As the Oxford dictionary states, a decision is a choice or judgment that you make after thinking and talking about what is the best thing to do (Oxford Dictionary, 2021). The investor needs to know more about the environment to get more familiar so that it would be easier to consider risks and benefits.

In choice making, individuals regard on anticipated factors, instead of anticipated values. If an individual is maximizing the anticipated value under instability, then that individual ought to not buy insurance for example, whenever the protections premium is higher than the anticipated loss (Gilboa, 2010).

Risk and unpredictability can never be dismissed. There is a distinction between choice making in terms of risks, ignorance and vulnerability. In the case of risk, the decision maker knows the likelihood of the conceivable results, but in the case of ignorance possibilities are obscured or there is no defined probability at all. The term vulnerability is utilized to mean numbness or referring to both hazard and ignorance. Decision making under risk has been examined from a consequentialist point of view, meaning that individuals build their choices upon surveying the results of the possible consequences of alternative decisions (Peterson, 2009).

Decision making in economic theory suggests that the decision-making action is based on: (1) an objective, prompt examination of the investment and its conceivable results and its estimated payoff, but moreover; (2) on the subjective point of view. Investments, in most cases, have lesser or greater risks. Hazard and instability are subjectively perceived, and this includes mental and passionate variables (Virlics, 2013).

In this thesis, by creating two different approaches with the methodology and research results, the decision-making process, environments, variables, and the real opinion of investors have been studied in depth and in detail.

In fact, this paper has brought up several issues that can influence stability, and it is essential learn what foreign investors think about such factors and their implications for investment. Our research analysis tools will assist us in understanding the insight of an investor; therefore, any reader of the thesis will gain a clear perspective on how to make decisions. Then, this work has presented the most important results in the results section, including the survey questions, where the answers are fully analyzed.

Iran is a developing country, facing some challenges in political, cultural, economic and media terms, but even despite the trade sanctions of the last few decades, it is still a country where many well-known companies invest from around the world. For instance, the Swedish Svedala industry has played a major role in developing Iran's copper mines since the late 1990s while Tata Steel of India has been investing in the steel sector. The Kia, Nissan, Peugeot, and Renault of

France auto companies have licensing agreements with Iranian auto manufacturers. Danone of France, Nestle of Switzerland and Coca-Cola and PepsiCo of the United States have joint ventures with Iranian companies. Total, Statoil, Shell and Luck Goldstar of South Korea have been active in Iran's natural gas industry. These are only some examples of companies whose investments are more than millions of euros, and this is why the present research is essential in order to understand part of this entire phenomena. In fact, the recognition of such investments in a country like Iran could clarify the importance of the standard of protection and security and how it might influence the decision of foreigner investors - in terms of how they become aware of the environment where they want to carry out their business as well as some specific variables to take into account before investing (Tehran Times, 2011; Curtis & Hooglund, 2008; Iran Chamber of Commerce, 2018).

To avoid these ambiguities in decision making, investors are looking for methods and resources that can increase their certainty. In line with, in the second part of this thesis's methodology, the researcher has designed a method with a multi-criteria technique using the most official and reliable statistics in different environments and different variables. Through this method, an investor can do a better review when making make a decision.

4.2.8 Conclusion on the Theoretical Framework

By studying the theoretical framework, it is possible to understand more about the content of Case Studies A and B. Through examination of the standard principles and views that have been developed on this topic by scholars, the paper is able to identify what is meant by the key concepts of this thesis as presented in the methodology. Due to the fact that the topics of standard and due diligence have been examined from different theoretical perspectives, actually is available a better understanding of the background of investor's opinions in the case studies and can identify what they expect and what they propose in the theory.

Since the legal situation for the standard in Iran has not been discussed in the research literature before, it was also added a section to clarify the situation of the research topic related to Iran. By exploring the meaning and function of decision making by investors in the decision process, there is also a better mutual understanding of the statistical population of the case studies.

5. RESULTS

In Case Study A, using the multi-criteria technique, several criteria or environments were applied for due diligence. To measure these environments, the numbers were extracted from the valid indexes and entered the specified formula. It should be noted that in the case of Directly proportional value, the larger the number means the better the situation, and in the case of Inversely proportional value, the smaller the number in the column the better is the situation in terms of that criterion.

In the economic environment, 3 criteria were examined:

Index of Economic Freedom (INEF), Country Risk Report (CRRE) and International Reserves (INRE).

Table 6. Pre-selected countries of the EU and their data for Economic Environment.

Economic			
Analyzed Countries	Index of Economic Freedom (INEF)*	Country Risk Report (CRRE)**	International Reserves (INRE)*
Germany	72,50	1,90	24552141
Austria	73,90	1,70	2767166
Belgium	70,10	1,90	3090241
Bulgaria	70,40	2,40	3362918
Croatia	63,60	2,30	2364922
Denmark	77,80	1,20	7066687
Slovakia	66,30	1,50	910446
Slovenia	67,30	1,20	129272
Spain	69,90	2,10	7958124
Estonia	78,20	0,90	238138
Finland	76,10	0,90	1304756
France	65,70	2,20	20527233
Greece	60,90	3,00	1061800
Hungary	67,20	1,90	3752687

Ireland	81,40	1,50	772009
Italy	64,90	2,50	19280692
Latvia	72,30	1,50	532432
Lithuania	72,60	1,40	515630
Poland	69,70	1,70	15835147
Netherlands	76,80	1,40	4971600
Portugal	68,60	1,60	2665999
Czech Republic	73,80	1,20	16275865
Romania	69,50	2,60	4748243
Sweden	74,70	1,40	5486000
Iran	47,20	5,00	12,40

*Directly proportional relation

**Inversely proportional relation

Source: Own elaboration

In the INEF (The Heritage Foundation, 2021; Kane, Holmes, & O’Grady, 2007), Ireland has the best situation, and its index number is 81.40, which puts this country at a relatively high distance from other countries. Estonia and Denmark are in the best position after Ireland, respectively. Greece has the lowest index among European countries with 60.90. Iran is far behind the European countries in terms of economic freedom, even compared with countries such as Greece, Italy, and Croatia, which have a low index ranking.

In the CRRE (Bouchet, Clark, & Gros Lambert, 2003), where low numbers indicate a better placement on the index, the thesis investigated the sources and found that Scandinavian countries and Western Europe have the best positions in this regard. Indeed, the closer the countries score to zero, the more ideal conditions there are. Finland and Estonia are in a good position in terms of Country Risk with an index score of 0.90. Denmark and Slovenia are 1.20 behind Finland. Other countries such as the Czech Republic, Germany, Belgium, Ireland and Hungary are also more stable than others. Iran with an index score of 5.00 is different in terms of risk from countries such as Greece with a score of 3.00, and in this criterion also distances itself from all other European countries.

In INRE (IMF, 2021), the index numbers reach several digits, and the higher the number of digits means the greater international reserves held by that country. Germany has more reserves than all European countries with the index number of 24552141. Other countries such as the Czech Republic, Italy and Poland have more reserves than other European countries.

The table below exhibits the situation of the countries in the environment of political security. The three main criteria used to measure this environment are: Risk of Terrorism and Political Violence (RTPV), Global Peace Index (GPIN) and Global Terrorism Index (GTIN).

Table 7. Pre-selected countries of the EU and their data for political security

Analyzed Countries	Political Security		
	Risk of terrorism and political violence (RTPV)**	Global Peace Index (GPIN)**	Global Terrorism Index (GTIN)**
Germany	3,00	1,490	3,965
Austria	2,00	1,275	1,016
Belgium	3,00	1,500	3,043
Bulgaria	2,00	1,630	0,172
Croatia	1,00	1,610	0,0001
Denmark	2,00	1,283	1,484
Slovakia	2,00	1,570	0,029
Slovenia	1,00	1,370	0,001
Spain	2,00	1,710	2,810
Estonia	2,00	1,680	0,057
Finland	1,00	1,400	1,721
France	3,00	1,930	4,614
Greece	3,00	1,880	4,182
Hungary	2,00	1,560	0,551
Ireland	1,00	1,380	2,485
Italy	2,00	1,690	3,043
Latvia	2,00	1,700	0,115
Lithuania	2,00	1,710	0,229
Poland	3,00	1,660	0,239
Netherlands	2,00	1,530	2,689
Portugal	1,00	1,247	0,000
Czech Republic	2,00	1,340	0,315
Romania	2,00	1,540	0,0001
Sweden	2,00	1,480	2,892
Iran	3,00	2,670	4,157

*Directly proportional value

**Inversely proportional value

Source: Own elaboration

In terms of the RTPV (Risk Advisory, 2019) with the inverse model, those countries such as Finland, Portugal, Ireland, Croatia have the best index with number 1, and countries such as France, Germany, Greece, and Poland, along with Iran with index 3, have an unfavorable situation compared to the others.

Austria has a very good position in terms of the GPIN (Institute for Economics & Peace, 2021) compared to other countries, followed by Denmark and the Czech Republic, respectively.

While the Global Peace Index of European countries does not exceed 1.930 (France), Iran with a score of 2,670 in this inverse-proportional value system comes after all European countries studied.

In the field of the GTIN (Institute for Economics & Peace, 2022), according to the existing cases and events cited by the source of this section, countries such as Portugal, Estonia and Croatia have the best index ranking, and France and Greece have the lowest score, respectively.

International relations generally account for 19.88% of the total share of environments. There are three main variables for this environment, and all three are related to the share that countries receive in exchange for expanding their relations with other countries in terms of regional risk, international agreements, and friendship and peace between each other. So, our 3 variables exactly are:

Region Risk Index (RRIN), Depository Agreements United Nations (DAUN) and Globalization Index (GLIN).

Table 8. Pre-selected countries of the EU and their data for International Relations

Analyzed Countries	Region Risk Index (RRIN)*	International Relations	
		Depository Agreements United Nations (DAUN)*	Globalization Index (GLIN)*
Germany	77,80	776,00	88,83
Austria	79,50	525,00	66,40
Belgium	72,10	360,00	74,52
Bulgaria	63,90	505,00	44,77
Croatia	64,50	368,00	80,00
Denmark	25,00	61,00	87,96
Slovakia	71,70	363,00	82,66
Slovenia	73,90	510,00	82,66
Spain	69,10	437,00	83,81
Estonia	77,50	115,00	82,91
Finland	79,00	334,00	87,70
France	74,80	320,00	87,69
Greece	59,10	362,00	82,89
Hungary	68,90	350,00	83,83
Ireland	78,80	94,00	85,54
Italy	67,20	537,00	82,82
Latvia	69,30	122,00	79,77
Lithuania	71,10	345,00	81,15
Poland	71,20	344,00	79,67
Netherlands	80,40	549,00	72,82
Portugal	70,90	432,00	84,88
Czech Republic	76,50	307,00	84,88
Romania	65,20	418,00	79,29

Sweden	82,30	378,00	89,44
Iran	48,30	353,00	53,79

*Directly proportional value

**Inversely proportional value

Source: Own elaboration

In RRIN (Marsh McLennan Group, 2021), contrary to the appearance of the phrase, the closer the index numbers are to 100, the better the situation in the sample country. In this section, respectively: Sweden, the Netherlands, Austria, and Finland are in the best position. Unlike western countries of the euro, Eastern European countries have fewer points in this variable. It should be noted that Italy and Greece should be separated from Western European countries in this regard.

In DAUN (United Nations, 2021) (United Nations, 2021a), the closer the index numbers are to 1000, the wider the contractual relations of that country with other countries. In fact, the best countries in this index have the highest number of bilateral and multilateral agreements in the UN depositary. By comparing the index numbers, it is resulted that Germany has by far the largest number of treaties of all European countries. Austria is in second place with about 200 points less.

In the variable of GLIN (KOF Swiss Economic Institute, 2021), higher numbers show the faster process of globalization. With this variable, a few countries in Europe were able to get an index higher than 80 out of 100. Sweden is on top of the list, followed by Denmark, Finland and Germany. With a little care, it was found that the Scandinavian countries had a deeper journey to globalization and were more accepting of different races and nations.

In the technological environment, variables were selected based on technical advances in communication, information, and the Internet. In this section, technological advances were considered one of the most important investment-related infrastructures in the present time. The three variables of this environment are:

ICT²⁵ Development Index (ICTN), Individuals using the Internet percentage (IUIP) and Global Innovation Index (GIIN).

²⁵ This is the abbreviation of information and communication technology (ICT).

Table 9. Pre-selected countries of the EU and their data for Technological

Analyzed Countries	Technological		
	ICT Development Index (ICTN)*	Individuals using the Internet percentage (IUIP)*	Global Innovation Index (GIIN)*
Germany	8,39	88,00	56,50
Austria	8,02	88,00	50,10
Belgium	7,81	90,00	49,10
Bulgaria	6,86	68,00	40,00
Croatia	7,24	79,00	37,30
Denmark	8,71	98,00	57,50
Slovakia	7,06	83,00	39,70
Slovenia	7,38	83,00	42,90
Spain	7,79	91,00	45,60
Estonia	8,14	90,00	48,30
Finland	7,88	90,00	57,00
France	8,24	83,00	53,70
Greece	7,23	76,00	36,80
Hungary	6,93	80,00	41,50
Ireland	8,02	85,00	53,00
Italy	7,04	74,00	45,70
Latvia	7,26	86,00	41,10
Lithuania	7,19	82,00	39,20
Poland	6,89	85,00	40,00
Netherlands	8,49	93,00	58,80
Portugal	7,13	75,00	43,50
Czech Republic	7,16	81,00	48,30
Romania	6,48	74,00	36,00
Sweden	8,41	94,00	62,50
Iran	5,58	70,00	30,90

*Directly proportional value

**Inversely proportional value

Source: Own elaboration

In the ICTN variable (ITU, 2017), indexes that are close to 10 indicate the better position of countries in technology development. In this section, the Netherlands has the best situation with 8.49, followed by Sweden with 8.41 and Germany with 8.39. Romania's score in this index shows that the country is far behind many European countries in information and communication technology and needs to make much more progress in this area.

As the name of IUIP (World Bank, 2022) implies, in this variable, the use of people as Internet users in European countries is examined as a criterion. According to the percentage of internet use, the scores are calculated from 100. In this section, Denmark is far above other European countries with the highest index, 98%. Sweden is next with 94% and the Netherlands

with 93%. Romania and Greece with 74% and 76% showed that a significant number of individuals living in these countries have little or no use of the Internet.

In GIIN (WIPO, 2021; Matthews & Brueggemann, 2015), Germany, an industrial country with a score of 56.5, is in a good position, but above that, Sweden, with a score of 62.5 has shown its distance in this variable from all European countries. Croatia has a much lower status than all, especially Germany and Sweden, with 30.37 points.

In the civil environment, 3 main criteria have been selected. These three criteria are related to social freedoms, democracy, and the media:

Civil Liberties (CILI), Democracy Index (DEIN) and Media Integrity (MEIN).

Table 10. Pre-selected countries of the EU and their data for Civil

Analyzed Countries	Civil		
	Civil Liberties (CILI)*	Democracy Index (DEIN)*	Media Integrity (MEIN)*
Germany	0,83	8,68	0,86
Austria	0,80	8,29	0,91
Belgium	0,83	7,78	0,94
Bulgaria	0,64	7,03	0,64
Croatia	0,64	6,57	0,70
Denmark	0,85	9,22	0,94
Slovakia	0,74	7,10	0,89
Slovenia	0,74	7,50	0,66
Spain	0,81	8,08	0,90
Estonia	0,84	7,97	0,94
Finland	0,81	9,14	0,88
France	0,75	7,80	0,92
Greece	0,76	7,29	0,85
Hungary	0,60	6,63	0,54
Ireland	0,83	9,15	0,91
Italy	0,81	7,71	0,86
Latvia	0,83	7,38	0,86
Lithuania	0,79	7,50	0,71
Poland	0,61	6,67	0,65
Netherlands	0,79	8,89	0,90
Portugal	0,85	7,84	0,83
Czech Republic	0,79	7,69	0,77
Romania	0,67	6,38	0,72
Sweden	0,85	9,39	0,92
Iran	0,28	2,45	0,47

*Directly proportional value

**Inversely proportional value

Source: Own elaboration

In CILI (World Bank, 2021b), Denmark and Portugal have the highest level of civil liberties with a score of 0.85, followed by Belgium, Ireland, Germany, Finland, Estonia, Spain and Austria. Hungary has the worst situation among European countries with a score of 0.60.

In the DEIN (The Economist, 2020), scores are divided between 1 and 10, and numbers close to 10 indicate the better position of countries in establishing democracy. In this index, the three countries of the Scandinavian region, namely Sweden, Denmark and Finland, are the only countries that have an index higher than 9, along with Ireland. After these countries, the Netherlands, Germany, Austria, and Spain are in the best condition in terms of democracy.

In the third variable MEIN (World Bank, 2021), the closer the numbers are to 1, the better the countries perform in media integrity. The media have the greatest integrity in Denmark, Belgium, Estonia, the Netherlands, and Sweden, while Hungary, Slovenia and Bulgaria are in quite the opposite situation.

In the cultural environment, the three main criteria are related to corruption, economic activities, and cultural distances. Thus, the 3 main variables in this section are:

Corruption Perceptions Index (CPIN), Doing Business (DOBU) and Cultural Distance (CUDI).

Table 11. Pre-selected countries of the EU and their data for Cultural

Analyzed Countries	Cultural		
	Corruption Perceptions Index (CPIN)*	Doing Business (DOBU)*	Cultural Distance (CUDI)**
Germany	80,00	79,70	101,00
Austria	77,00	78,70	83,00
Belgium	75,00	75,00	172,00
Bulgaria	74,00	72,00	55,00
Croatia	63,00	73,60	62,00
Denmark	87,00	85,30	19,00
Slovakia	59,00	75,60	153,00
Slovenia	35,00	76,50	47,00
Spain	62,00	77,90	73,00

Estonia	74,00	80,60	33,00
Finland	86,00	80,20	21,00
France	69,00	76,80	124,00
Greece	48,00	68,40	92,00
Hungary	44,00	73,40	130,00
Ireland	74,00	79,60	35,00
Italy	53,00	72,90	107,00
Latvia	56,00	80,30	13,00
Lithuania	60,00	81,60	29,00
Poland	58,00	76,40	97,00
Netherlands	82,00	76,10	97,00
Portugal	62,00	76,50	26,00
Czech Republic	56,00	76,30	90,00
Romania	44,00	73,30	69,00
Sweden	85,00	82,00	12,00
Iran	26,00	58,50	255,00

*Directly proportional value

**Inversely proportional value

Source: Own elaboration

In the variable of CPIN (Transparency International, 2020), contrary to what might be assumed, the higher the index score of countries the better the performance of these countries in recognizing the roots of corruption and preventing them. Denmark, Finland, Sweden, the Netherlands and Germany have the best performance in this area. If Denmark, at 87% is compared to Slovenia at 35%, a deep gap in terms of levels of corruption between these countries can be perceived.

In DOBU (World Bank, 2020), all sample countries are in almost the same situation, but Greece does not have a good score compared to other countries in this field and is significantly different from others. Countries such as Estonia, Latvia, Lithuania, Finland, Sweden and Denmark have the best position in this variable.

In CUDI (Hofstede, 2022; Bellack & Hersen, 1998), a low index score indicates that the cultural distance is also less within one country. Thus, countries such as Sweden and Latvia, whose index does not even reach 20, have societies with much less cultural distance than countries such as Slovakia and France, which have scores above 100.

After the indexes relating to the economic environment were put in the formula and normalized, classification of countries with a score between 1 and 10 was determined. It showed that INEF has the highest share of the environment with 53,05%, and the variables CRRE and

INRE at 33,47% and 13,48% constitute the rest of the economic environment. With the first variable, Finland, Denmark, Austria, the Czech Republic, the Netherlands, and Sweden scored above 9 points. With the second variable, Estonia and Finland had a score of 10 following normalization by the formula. In the third variable, Germany was the only country with 10 points.

Table 12. Variables' values after normalization with Formula 1 for Economic

Economic				27,23%
Analyzed Countries	Index of Economic Freedom (INEF)	Country Risk Report (CRRE)	International Reserves (INRE)	
%	53,05%	33,47%	13,48%	100%
Germany	8,91	4,7	10,00	7,66
Austria	9,08	5,3	1,13	6,74
Belgium	8,61	4,7	1,26	6,32
Bulgaria	8,65	3,8	1,37	6,03
Croatia	7,81	3,9	0,96	5,58
Denmark	9,56	7,5	2,88	7,97
Slovakia	8,14	6,0	0,37	6,38
Slovenia	8,27	7,5	0,05	6,90
Spain	8,59	4,3	3,24	6,43
Estonia	9,61	10,0	0,10	8,46
Finland	9,35	10,0	0,53	8,38
France	8,07	4,1	8,36	6,78
Greece	7,48	3,0	0,43	5,03
Hungary	8,26	4,7	1,53	6,17
Ireland	10,00	6,0	0,31	7,36
Italy	7,97	3,6	7,85	6,49
Latvia	8,88	6,0	0,22	6,75
Lithuania	8,92	6,4	0,21	6,91
Poland	8,56	5,3	6,45	7,18
Netherlands	9,43	6,4	2,02	7,43
Portugal	8,43	5,6	1,09	6,50
Czech Republic	9,07	7,5	6,63	8,21
Romania	8,54	3,5	1,93	5,95
Sweden	9,18	6,4	2,23	7,32
Iran	5,80	1,80	0,00	3,68

Source: Own elaboration

In the political security environment, when the variables were included in the formula and rated as percentages, the result was that RTPV had the highest share with 55,17%. GPIN and GTIN, with percentages of 25,26% and 19,57%, are also part of the economic security environment. With the first variable, Croatia, Ireland, Slovenia, and Finland have the best score of 10. With the second variable, only the Netherlands, Portugal and Sweden had 10 points after normalization. With the third variable, Croatia, Romania, and Portugal, with a score of 10, have the worst situation after normalization by the formula.

Table 13. Variables' values after normalization with Formula 1 for Political Security

Political Security				25,38%
Analyzed Countries	Risk of terrorism and political violence (RTPV)	Global Peace Index (GPIN)	Global Terrorism Index (GTIN)	
%	55,17%	25,26%	19,57%	100%
Germany	3,3	8,4	0,00	3,95
Austria	5,0	9,8	0,00	5,23
Belgium	3,3	8,3	0,00	3,94
Bulgaria	5,0	7,7	0,01	4,69
Croatia	10,0	7,7	10,00	9,43
Denmark	5,0	9,7	0,00	5,21
Slovakia	5,0	7,9	0,03	4,77
Slovenia	10,0	9,1	1,00	8,01
Spain	5,0	7,3	0,00	4,60
Estonia	5,0	7,4	0,02	4,64
Finland	10,0	8,9	0,00	7,77
France	3,3	6,5	0,00	3,47
Greece	3,3	6,6	0,00	3,51
Hungary	5,0	8,0	0,00	4,78
Ireland	10,0	9,0	0,00	7,80
Italy	5,0	7,4	0,00	4,62
Latvia	5,0	7,3	0,01	4,61
Lithuania	5,0	7,3	0,00	4,60
Poland	3,3	7,5	0,00	3,74
Netherlands	5,0	8,2	0,00	4,82
Portugal	10,0	10,0	10,00	10,00
Czech Republic	5,0	10,0	0,00	5,29
Romania	5,0	9,6	10,00	7,14
Sweden	5,0	10,0	0,00	5,28
Iran	3,3	10,0	0,00	4,37

Source: Own elaboration

In the environment of international relations, the variable RRIN has a share of 56,80% and the variables DAUN and GLIN 30,06% and 13,15% respectively. With the first variable, only Sweden has a high score of 10. With the second variable, only the Netherlands, Portugal, Romania, and Sweden had 10 points after normalization. With the third variable, Sweden has the highest score.

Table 14. Variables' values after normalization with Formula 1 International Relations

International Relations				19,88%
Analyzed Countries	Region Risk Index (RRIN)	Depositary Agreements United Nations (DAUN)	Globalization Index (GLIN)	
%	56,80%	30,06%	13,15%	100%
Germany	9,5	10,0	9,9	9,68
Austria	9,7	9,6	7,4	9,34
Belgium	8,8	6,6	8,3	8,04
Bulgaria	7,8	9,2	5,0	7,83

Croatia	7,8	6,7	8,9	7,64
Denmark	3,0	1,1	9,8	3,35
Slovakia	8,7	6,6	9,2	8,15
Slovenia	9,0	9,3	9,2	9,11
Spain	8,4	8,0	9,4	8,39
Estonia	9,4	2,1	9,3	7,20
Finland	9,6	6,1	9,8	8,57
France	9,1	5,8	9,8	8,20
Greece	7,2	6,6	9,3	7,28
Hungary	8,4	6,4	9,4	7,90
Ireland	9,6	1,7	9,6	7,21
Italy	8,2	9,8	9,3	8,80
Latvia	8,4	2,2	8,9	6,62
Lithuania	8,6	6,3	9,1	7,99
Poland	8,7	6,3	8,9	7,97
Netherlands	9,8	10,0	8,1	9,63
Portugal	8,6	10,0	9,5	9,15
Czech Republic	9,3	7,3	9,5	8,74
Romania	7,9	10,0	8,9	8,67
Sweden	10,0	10,0	10,0	10,00
Iran	5,9	10,0	10,0	7,65

Source: Own elaboration

After normalizing the indexes in the technological table, the thesis found that all three variables have an approximately equal share of the formation of this environment, with ICTN worth 34,73% and the variables IUIP and GIIN 31,61% and 33,66% respectively. With the first variable, only Denmark reached 10, and the rest of the countries ranged from 7 to more than 9. Only Iran, as the benchmark country, received a score of 4.6.

Table 15. Variables' values after normalization with Formula 1 for Technological

Technological				11,59%
Analyzed Countries	ICT Development Index (ICTN)	Individuals using the Internet percentage (IUIP)	Global Innovation Index (GIIN)	
%	34,73%	31,61%	33,66%	100%
Germany	9,6	9,0	9,0	9,23
Austria	9,2	9,0	8,0	8,73
Belgium	9,0	9,2	7,9	8,66
Bulgaria	7,9	6,9	6,4	7,08
Croatia	8,3	8,1	6,0	7,44
Denmark	10,0	10,0	9,2	9,73
Slovakia	8,1	8,5	6,4	7,63
Slovenia	8,5	8,5	6,9	7,93
Spain	8,9	9,3	7,3	8,50
Estonia	9,3	9,2	7,7	8,75
Finland	9,0	9,2	9,1	9,11
France	9,5	8,5	8,6	8,85
Greece	8,3	7,8	5,9	7,32
Hungary	8,0	8,2	6,6	7,58
Ireland	9,2	8,7	8,5	8,79
Italy	8,1	7,6	7,3	7,66

Latvia	8,3	8,8	6,6	7,88
Lithuania	8,3	8,4	6,3	7,62
Poland	7,9	8,7	6,4	7,64
Netherlands	9,7	9,5	9,4	9,55
Portugal	8,2	7,7	7,0	7,60
Czech Republic	8,2	8,3	7,7	8,07
Romania	7,4	7,6	5,8	6,91
Sweden	9,7	9,6	10,0	9,75
Iran	6,4	7,1	4,9	6,15

Source: Own elaboration

In terms of civil environment, CILI had the highest share at 42,21%. Then came DEIN at 34,26% and MEIN at 23,52% to make up the rest of the civil environment for investment. With the first variable, the countries were ranked from 7 to 10, and Denmark was the only country with a score of 10. With this variable, after normalization, Romania received a score of 4.7, *i.e.*, the lowest in this category. With the second variable, the countries were again classified with a score of 7 to 10, and again Denmark was the only country in this section that reached the maximum score after normalization. In the third variable, Sweden surpassed other countries with a score of 10, but there were countries whose scores even dropped below 6 or even 5 such as Greece, Latvia, Lithuania, Romania, Poland, Croatia, and Bulgaria.

Table 16. Variables' values after normalization with Formula 1 for Civil

Civil				9,80%
Analyzed Countries	Civil Liberties (CILI)	Democracy Index (DEIN)	Media Integrity (MEIN)	
%	42,21%	34,26%	23,52%	100%
Germany	9,8	9,2	9,1	9,44
Austria	9,4	8,8	9,7	9,27
Belgium	0,1	8,3	10,0	5,23
Bulgaria	0,1	7,5	6,8	4,20
Croatia	0,1	7,0	7,4	4,18
Denmark	10,0	9,8	10,0	9,94
Slovakia	0,1	7,6	9,5	4,85
Slovenia	0,1	8,0	7,0	4,42
Spain	0,1	8,6	9,6	5,24
Estonia	0,1	8,5	10,0	5,30
Finland	0,1	9,7	9,6	5,62
France	0,1	8,3	10,0	5,24
Greece	0,1	7,8	9,2	4,87
Hungary	0,1	7,1	5,9	3,83
Ireland	0,1	9,7	9,9	5,71
Italy	0,1	8,2	9,3	5,05
Latvia	0,1	7,9	9,3	4,93
Lithuania	0,1	8,0	7,7	4,59
Poland	0,1	7,1	7,1	4,13
Netherlands	0,1	9,5	9,8	5,58
Portugal	0,1	8,3	9,0	5,02

Czech Republic	0,1	8,2	8,4	4,81
Romania	0,1	6,8	7,8	4,20
Sweden	0,1	10,0	10,0	5,82
Iran	0,0	10,0	5,0	4,62

Source: Own elaboration

In the cultural environment, CPIN has the highest share 47,58%, a considerable distance in this respect from other variables. The variables of DOBU, at 34,91%, and CUDI, at 17,51%, made up the rest of the environment. With the first variable, Denmark had the highest score, and Greece had the lowest score after normalization. With the second variable, the differences between the countries were less, and they all received scores between 8 and 10. With the third variable, the scores were very different, and the countries had scores from less than 1 to 10. It is interesting that countries such as Denmark, the Netherlands, Austria, and Germany, which have always had high scores in the variables, have not even reached a score of 2 or 6 in this variable.

Table 17. Variables' values after normalization with Formula 1 for Cultural

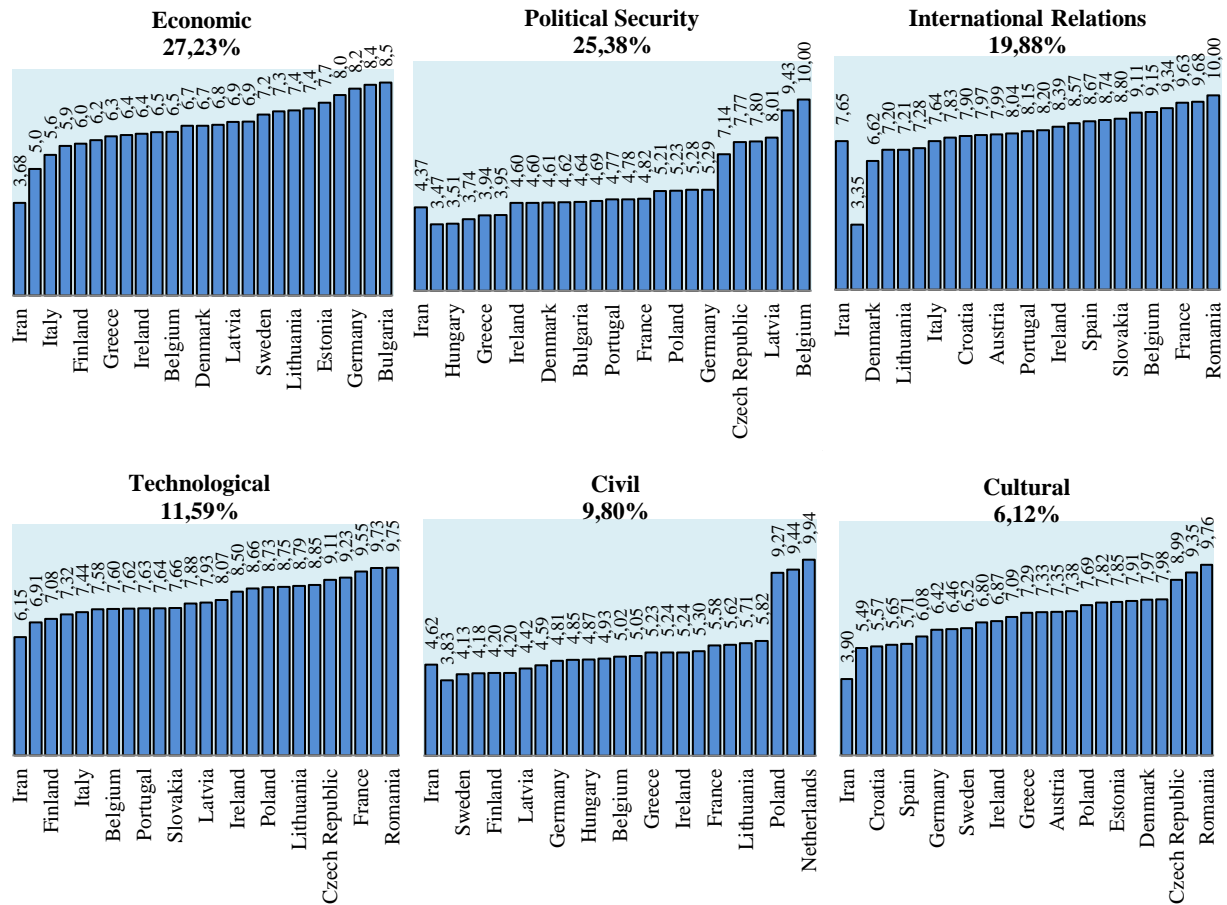
Cultural				6,12%
Analyzed Countries	Corruption Perceptions Index (CPIN)	Doing Business (DOBU)	Cultural Distance (CUDI)	
%	47,58%	34,91%	17,51%	100%
Germany	9,2	9,3	1,2	7,85
Austria	8,9	9,2	1,4	7,69
Belgium	8,6	8,8	0,7	7,29
Bulgaria	8,5	8,4	2,2	7,38
Croatia	7,2	8,6	1,9	6,80
Denmark	10,0	10,0	6,3	9,35
Slovakia	6,8	8,9	0,8	6,46
Slovenia	4,0	9,0	2,6	5,49
Spain	7,1	9,1	1,6	6,87
Estonia	8,5	9,4	3,6	7,98
Finland	9,9	9,4	5,7	8,99
France	7,9	9,0	1,0	7,09
Greece	5,5	8,0	1,3	5,65
Hungary	5,1	8,6	0,9	5,57
Ireland	8,5	9,3	3,4	7,91
Italy	6,1	8,5	1,1	6,08
Latvia	6,4	9,4	9,2	7,97
Lithuania	6,9	9,6	4,1	7,35
Poland	6,7	9,0	1,2	6,52
Netherlands	9,4	8,9	1,2	7,82
Portugal	7,1	9,0	4,6	7,33
Czech Republic	6,4	8,9	1,3	6,42
Romania	5,1	8,6	1,7	5,71

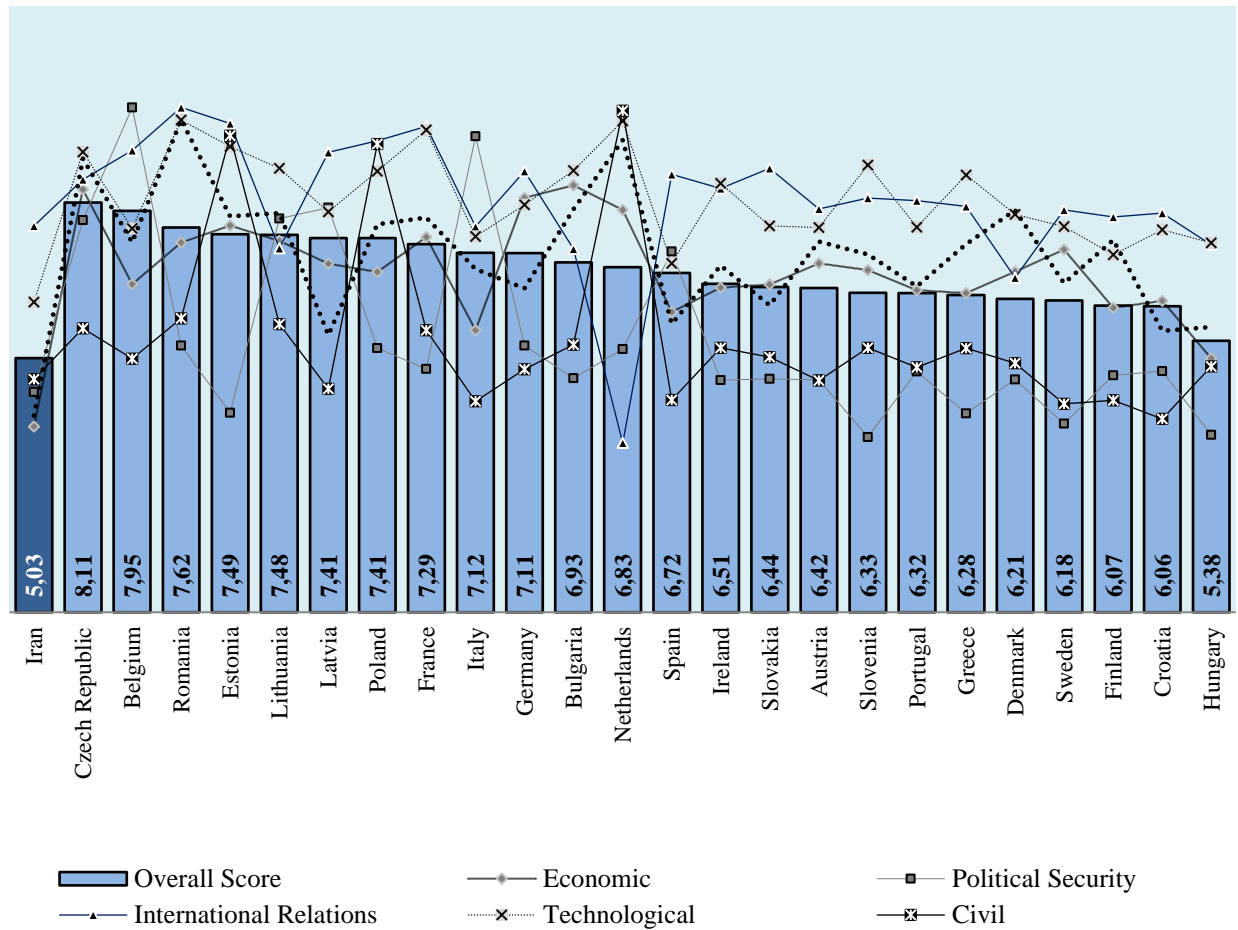
Sweden	9,8	9,6	10,0	9,76
Iran	3,0	6,9	0,5	3,90

Source: Own elaboration

Below, in order to summarize all environments and variables after normalization by formulas, the thesis has provided them under the title of recapitulation:

Figure 2. Recapitulation of the scores for each environment and total weighting



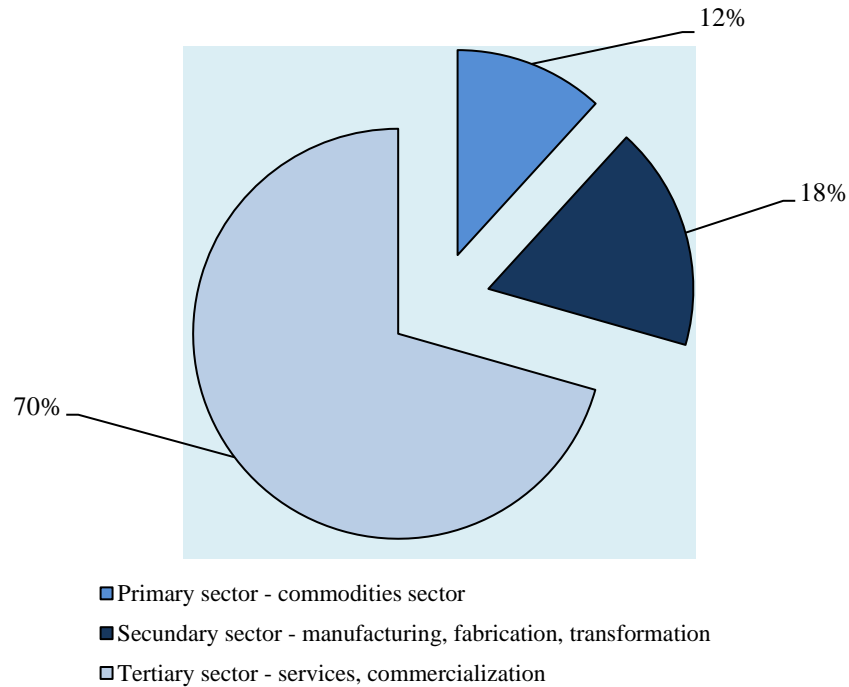


Source: Own elaboration

Below, once again, highlighting the situation of countries in all environments and variables by connecting their scores in each environment, another type of point diagram was compiled to summarize all the results of the first part of the methodology.

For Case Study B, after applying a survey among 17 firms, just like with Case Study A, it is possible to identify that most enterprises in this study are dedicated to commercial activities related with third sector (services), as Figure 3 shows.

Figure 3. Sectors for enterprises surveyed within the current study

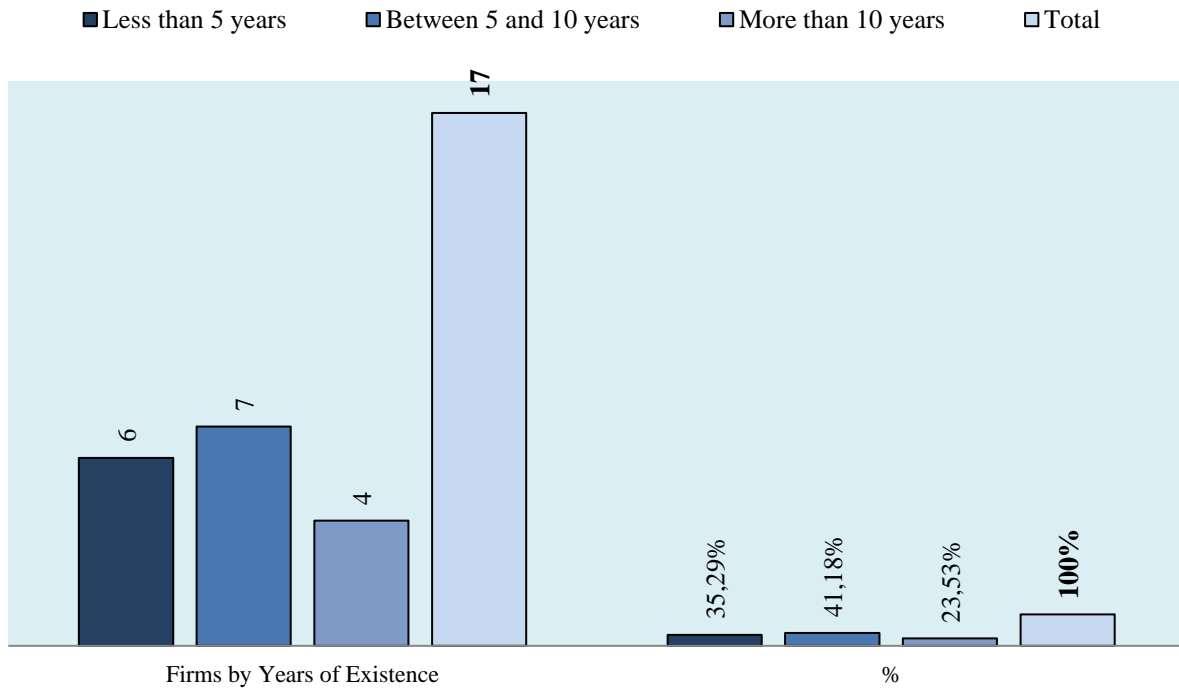


Source: Own elaboration

According to the last chart, the survey reveals that in the first place the most important sector was (with 12 respondents' enterprises) the tertiary sector, representing an average of 70,59%; after this secondary sector (with 3 respondent enterprises) with 17,65% and finally, the primary sector (with 2 respondent's enterprises) at 11,76%.

Due to the importance of companies' opinions in this survey, the number of years of activity and their level of experience in business were evaluated. The largest plurality, 7 companies, had a history of 5 to 10 years in their business. 6 companies were less than 5 years old, and 4 companies were more than 10 years old.

Figure 4. Years of existence of the companies within the current study



Source: Own elaboration

Therefore, 41.18% of companies have existed for 5 to 10 years, 29.35% for less than 5 years and 53.23% of companies had a history of more than 10 years.

Below the affecting factors for protections and due diligence that influence the choice of the host country for investing have been examined.

Table 18. Affecting factors for protections and due diligence that influence the choice of the host country for investing

Factors	Less Important	%	Important	%	Very Important	%	Does not Matter	%
	Physical protection of capital and assets	1	5,88%	8	47,06%	8	47,06%	0

Physical protection of investors	1	5,88%	7	41,18%	8	47,06%	1	5,88%
Equal treatment for citizens and foreign investors	0	0,00%	6	35,29%	11	64,71%	0	0,00%
Possibility of riots and revolution	1	5,88%	9	52,94%	7	41,18%	0	0,00%
Adherence of the host state to international conventions and obligations	0	0,00%	8	47,06%	9	52,94%	0	0,00%
Background of the host state in maintaining internal security	2	11,76%	5	29,41%	10	58,82%	0	0,00%
Membership of the host state in international conventions on the security of investors	0	0,00%	6	35,29%	11	64,71%	0	0,00%
Legal options to protect capital and investors immediately in times of unrest	0	0,00%	2	11,76%	14	82,35%	1	5,88%
Participation in a special investment agreement with the origin country of the investor	1	5,88%	7	41,18%	8	47,06%	1	5,88%
The obligation of the host state to retain the security of investors under a bilateral agreement	2	11,76%	6	35,29%	9	52,94%	0	0,00%

Source: Own elaboration

In recognizing the importance of physical protection investment, only one company chose the ‘less important’ option, 5.88% of the total. No company considered this factor insignificant, with the 16 other companies equally divided, at 47.06%, for each of ‘important’ or ‘very important’.

For the factor of physical protection of investors, only one company considered it unimportant and therefore 5.88% of the statistical population chose the option ‘does not matter’. 8 companies formed the majority view of this factor by choosing the ‘very important’ option. 7 companies considered it ‘important’ and only 1 company considered it ‘less important’.

For the factor of equal treatment for citizens and foreign investors, there was no company that rated it as of ‘no importance’ or ‘less important’. But companies had different opinions on whether this factor was important or very important, and most of them considered this factor to be very important. 35.29% (6 companies) chose the ‘important’ option and 64.71% (11 companies) chose the ‘very important’ option.

No company considered the possibility of riots and revolution as having no importance, but opinions differed on the choice of options. Only one company chose the 'less important' option, making up 5.88% of the statistical population. 9 companies chose the 'important' option (52.94%) and 7 companies (41.18%) chose the 'very important' option. The majority of companies did not consider it 'very important' or 'less important' but just important.

For the factor of adherence of host states to international conventions and obligations, there was no company that considered it unimportant or 'less important', and disagreements were more about whether it was 'important' or 'very important'. 47.06% (8 companies) chose the 'important' option and 52.94% (9 companies) chose the 'very important' option for this factor. Therefore, this factor is one of those that most companies have considered very important.

For the background of the host state in maintaining internal security, 2 companies (11.76%) of the statistical population chose the 'less important' option. 5 companies (29.41%) considered it 'important' and 10 companies (58.82%) chose the 'very important' option.

For the factor of the membership of host states in international conventions on the security of investors, all companies considered it either 'important' or 'very important', and there was no company that considered it 'less important' or unimportant. The majority of companies, 11 companies (64.71%), chose the 'very important' option and 6 companies chose the 'important' option, which constitutes 35.29% of the statistical population.

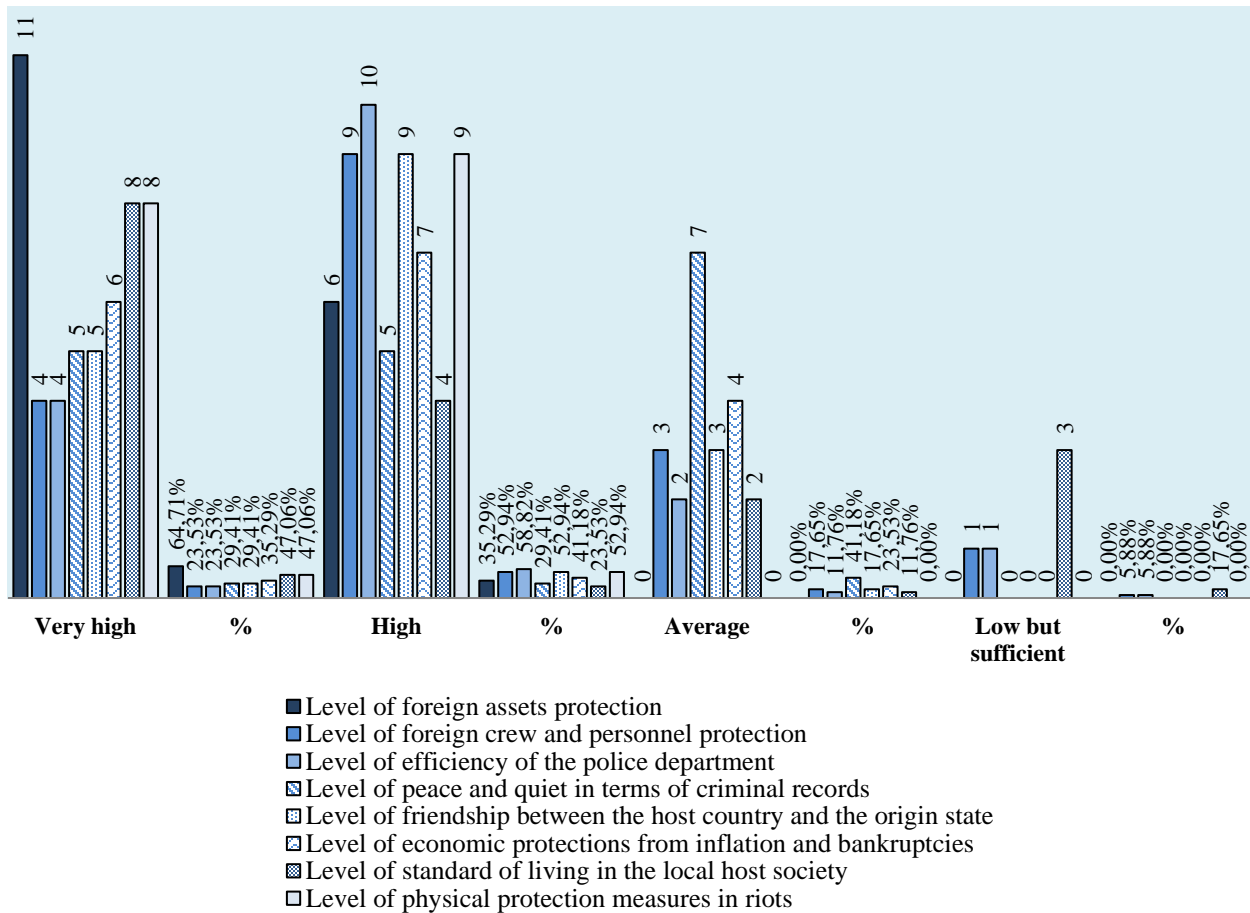
For legal options to protect capital and investors immediately in times of unrest, the diversity of opinions is significant. Some consider it unimportant and some 'very important', and no company chose the 'less important' option. Only two companies (11.76%) chose the 'important' option and 14 companies that make up the majority (82.35%) chose the 'very important' option. Only one company (5.88%) chose the option of 'does not matter'.

The opinions of companies on participation in a special investment agreement with the origin country of investors were very varied, and there was no option that was not selected. This means that with this factor, the dominant opinion and the absolute majority were also difficult to distinguish. 41.18%, which is 7 companies, chose the ‘important’ option and 8 companies, which constitute 47.06%, chose the ‘very important’ option. Only 1 company (5.88%) chose the ‘less important’ option, and 1 other company (5.88%) chose the ‘does not matter’ option.

When choosing amongst the options for the obligation of the host state to retain the security of investors under a bilateral agreement, 2 companies (11.76%) considered it ‘less important’, 6 companies (35.29%) considered it ‘important’, and 9 companies (52.94%) considered it ‘very important’. Therefore, for this factor, it can be concluded that opinions were different, but the majority still considered it very important.

In the chart below, to assess the minimum affecting factors that should set the level of security for a country to be eligible to invest, the options were divided into ‘very high’, ‘high’, ‘average’ and ‘low but sufficient’, so that companies could use a more precise range of options.

Figure 5. Minimum affecting factors that should set the level of security for a country to be eligible to invest



Source: Own elaboration

The majority of companies considered the level of foreign assets protection to be ‘very high’ and chose the first option. The rest of the companies chose the ‘high’ option. Therefore, no company said that this level is ‘average’ or ‘low but sufficient’. According to the chart, 64.71% chose the ‘very high’ option (11 companies) and 35.29% (6 companies) selected ‘high’.

When measuring the level of foreign crew and personnel protection, there was no option that was not selected. 4 companies rated it ‘very high’, 9 companies rated it ‘high’, 4 companies considered it ‘average’, and one company rated it ‘low but sufficient’. Thus, the majority (52.94%) chose the option of ‘high’, 23.53% chose the ‘very high’ option, 17.65% the ‘average’ option and 5.88% the ‘low but sufficient’ option.

In recognizing the level of efficiency of the police department, 4 companies considered it 'very high', which constitutes 23.53% of the statistical population. 10 companies chose the 'high' option and showed the majority (58.82%) of companies do not consider it 'very high' or 'low'. Two companies chose the 'medium' option (11.76%) and one company chose the 'low but sufficient' option, which accounted for 5.88%.

Regarding the level of peace and quiet in terms of criminal records, the views of companies and the majority of them have been interesting. The number of companies that have chosen the 'high' and 'very high' option is equal to, at 29.41%. The majority of companies (7 firms) chose the 'medium' option and made up 41.18% of the statistical population. No firm chose the 'low but sufficient' option.

Attitudes towards the level of friendship between the origin and host states were different, but no company chose the 'low but sufficient' option. 5 companies (29.41%) rated it as 'very high' and 3 companies (17.65%) rated it as 'average'. The majority of companies, *i.e.*, 9 companies (52.94%), have chosen the 'high' option.

When measuring the level of economic protection from inflation and bankruptcies, the 'high' option has been chosen by the majority of companies. 6 companies (35.29%) have chosen the 'very high' option, 7 companies (41.18%) have chosen the 'high' option and 4 companies (23.53%) have chosen the 'average' option.

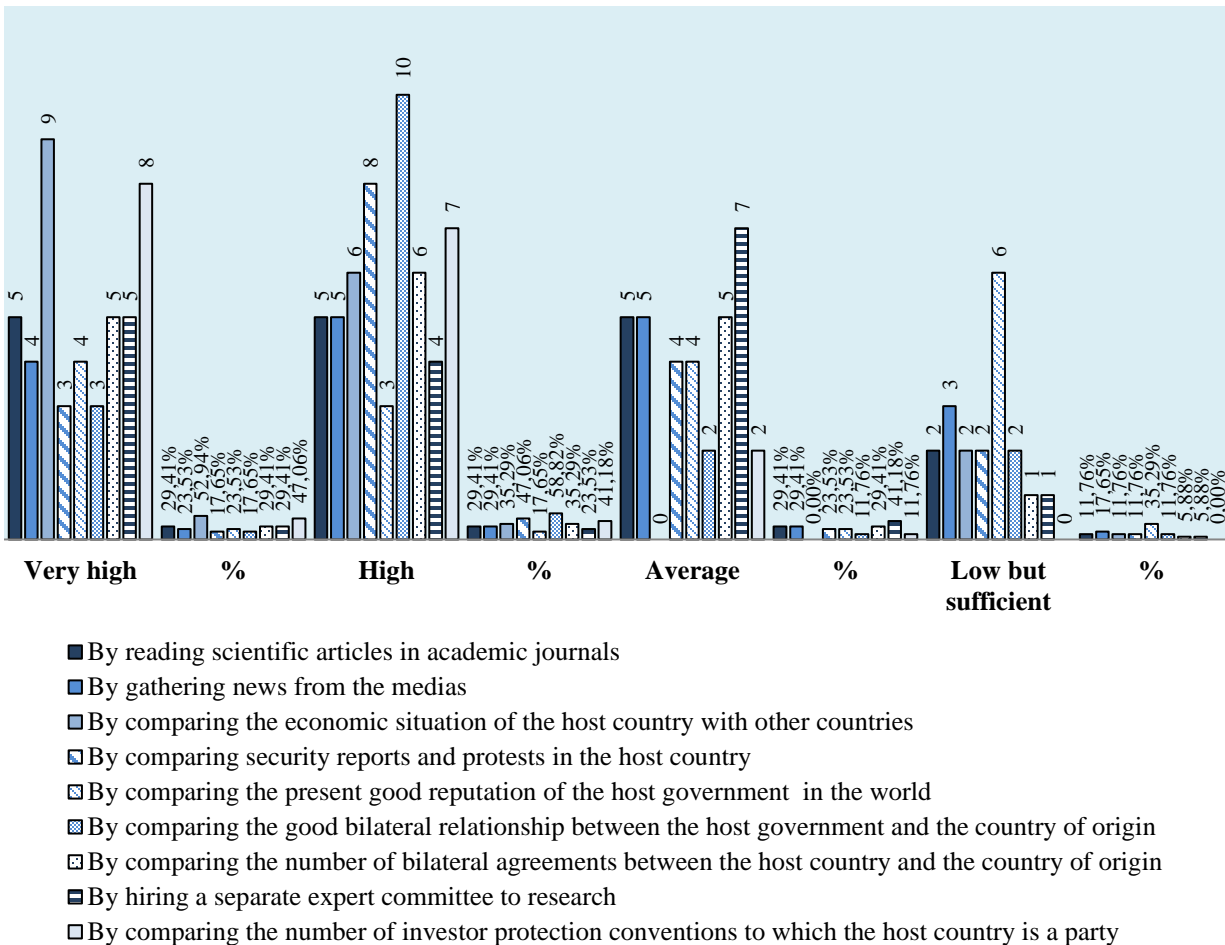
Regarding the level of standard of living in the local host society, a significant majority have chosen the "very high" option, but other views were expressed for "high" or "average". A plurality of companies, at 47.06% (8 companies), chose the first option. The 4 companies that made up 23.53% of the statistical population have chosen the 'high' option. Two firms (11.76%) chose the 'average' option.

Almost equal numbers of firms chose the "high" or "very high" options for the level of protection measures in riots, and this shows how important this factor is for investors. 47.06% (8 companies) chose the "very high" option and 52.94% (9 companies) chose the "high" option. Thus,

there was no company that rated this level as “average” or “low”, and everyone considered it “high” and “very high”. This statistic clearly shows the desired level of protection amidst unrest.

In the chart below, to evaluate the way of assessing a country’s security for investment, the options were divided into “very high”, “high”, “average” and “low but sufficient”, so that companies can show their degree of use of the mentioned methods precisely.

Figure 6. Way of assessing a country’s security for investment



Source: Own elaboration

Regarding the method of reading scientific articles in academic journals, a similar number of companies chose each option and there was no clear majority. 5 companies chose the 'very high' option, 5 companies the 'high' option, 5 companies the 'average' option and 6 companies selected 'low but sufficient'. By a small margin, the last option was selected by the majority.

Views on gathering news from the media were more scattered. In addition to the fact that there was no unselected option, the results were close to each other. 23.53% (4 companies) have chosen the 'very high' option, 29.41% (5 companies) have chosen the 'high' option and 5 companies have chosen the 'average' option. The 'low but sufficient' also was selected by 7.65% (3 companies).

The survey found that comparing the economics of the host country to the other is one of the most common ways to identify the security of host countries. Most companies voted for the 'very high' options. In fact, 52.94% (9 companies) chose 'very high'. 32.29% (6 companies) also chose the 'high' option, which shows that this is an important tool for identifying the conditions of host countries. 2 companies (11.76%) chose the 'low but sufficient' option, and no firm selected the 'average' option.

Regarding the method of comparing security reports and protests in the host country, views were divergent, and there was no option not selected. 47.06% (8 companies) chose 'high', 17.65% (3 companies) chose 'very high', 23.53% (4 companies) picked 'average' and 11.76% (2 companies) selected 'low but sufficient'.

Regarding ways of comparing the reputation of the host government in the world, opinions were interestingly diverse, and the majority answer shows that this method is not very popular with investors to assess the host countries' condition. 6 companies (35.29%) chose the 'low but sufficient' option. Each of the 'average' and 'very high' options were selected by 4 companies (23.53%). 3 companies (17.65%) selected 'high'.

One of the ways mentioned so far has had as a dominant opinion with 10 companies selecting the same option as a majority. Regarding the method of comparing good bilateral

relationships between the host government and the origin country, 58.82% selected ‘high’ showing the great importance of this way of doing assessment among investors. After this, a plurality of the remainder of the companies chose very high. In fact, 3 companies, which make up 17.65%, chose the ‘high’ option. The ‘average’ and ‘low but sufficient’ options were each selected by two companies (11.76%).

When comparing the bilateral agreements between the host country and the country of origin, it is obvious that the majority of votes were for the ‘very high’ option. 6 companies (35.29%) chose ‘very high’. After that, the ‘average’ and ‘high’ options each had the next plurality with 29.41% (5 companies). Only one company (5.88%) chose the ‘low but sufficient’ option.

The statistics showed that the method of hiring expert committees to do research is less common among firms. 7 companies (41.18%) that make up a plurality, chose the ‘average’ option. 4 companies chose the ‘high’ option (23.53%), 5 companies picked the ‘very high’ option (24.41%) and one company chose ‘low but sufficient’ (5.88%).

The statistics for the last method showed that comparing the investment protection conventions to which the host country is a party was also important and common among investors when assessing the security situation in the host country. 47.06%, consisting of 8 companies, chose the ‘very high’ option and formed the majority. After that, the ‘high’ option was the most selected 41.18%. Two companies (11.76%) chose the ‘average’ option, and there was no company that rated it as ‘low but sufficient’.

To assess the main factors that disrupt security, property, and investments, 11 key factors were presented to companies based on existing cases and those that are most likely to occur. For a more accurate assessment, 4 options were considered for each factor:

‘Less’, ‘much’, ‘very much’ and ‘does not affect’.

Table 19. Main factors that disrupt security, property, and investments

Factors	Security disruptions			
	Less	Much	Very Much	Does not affect

	Value	%	Value	%	Value	%	Value	%
Struggling between the local communities	6	35,29%	7	41,18%	3	17,65%	1	5,88%
Unexpected expropriation	2	11,76%	4	23,53%	11	64,71%	0	0,00%
Civil war	1	5,88%	4	23,53%	12	70,59%	0	0,00%
Interstate war	2	11,76%	5	29,41%	10	58,82%	0	0,00%
Regional contemporary riots	1	5,88%	13	76,47%	1	5,88%	2	11,76%
Revolution	1	5,88%	11	64,71%	5	29,41%	0	0,00%
Defunding the local security agents by the host state	1	5,88%	4	23,53%	7	41,18%	5	29,41%
Natural disaster	6	35,29%	9	52,94%	1	5,88%	1	5,88%
Pandemic (the most apparent example is Covid-19)	0	0,00%	4	23,53%	13	76,47%	0	0,00%
Rising criminal rates in the host countries	5	29,41%	7	41,18%	4	23,53%	1	5,88%
Having confronting policies with other governments by the host state (such as the Islamic Republic's political relations with Israel)	1	5,88%	1	5,88%	14	82,35%	1	5,88%

Source: Own elaboration

In struggling between the local communities, as it can be seen in the table below, 41.18% (7 companies), that make up a chose the 'much' option. After this, 35.29% of companies chose the 'low' option, and this causes an adjustment in the majority. 17.65% (3 companies) chose the 'very much' option, which suggests the high degradation potential of this factor in the eyes of investors. Only 1 company (5.88%) has chosen the option 'it does not affect'.

The vast majority of companies have chosen the 'very much' option out of the four available options for unexpected expropriation, and this demonstrates the old fear of investors of expropriation. In fact, 64.71% (11 companies) chose the 'very much' option, followed by 23.53% the 'much' option. 11.76% of the company also chose the 'less' option. The option of 'does not affect' was not selected by any company. This statistic from the majority of firms shows the significant concern of investors towards this factor.

The poll for the third factor shows how much civil war affects the mentality and security of investors. The vast majority, 70.59% (12 firms), saw the level of security disruption as very great with the civil war, indicating that in countries where civil war is ongoing or likely, investors

do not welcome it because of security disruption, and they see themselves in great danger. The next plurality chose the 'high' option, and there was no company that considered civil war to have no effect on security. 23.53% (4 companies) chose the 'much' option and 5.88% (1 company) went with the 'less' option.

Regarding the interstate war, views have been adjusted more than the above factor, but still the majority believe that the interstate war also has a great impact on the disruption of security. 58.82% of the companies (10 companies) chose the 'very much' option. The next plurality also agreed with the 'much' option, *i.e.*, 29.41% (5 companies). 2 companies said it was less likely to lose security through interstate war (11.726 percent).

Regarding regional contemporary riots, the majority selected the 'much' option, but a much lower percentage chose the 'very much' and 'less' options. In fact, 13 companies chose the 'high' option, 1 company the 'very high' option (5.88%) and 1 company (5.88%) the 'less' option. However, no firm was willing to choose the 'does not affect' option.

Regarding the disruption of security due to a revolution, the opinion of companies was like the previous three factors. Most investors recognized that the effect was great, and there was no firm who thought it was ineffective. 11 companies (64.71%), making up a majority, chose the 'much' option. The next plurality chose the 'very much' option with 29.41% (5 companies) and only one company considered it 'less' (5.88%). With this factor, there was no company that selected the option of 'does not affect'.

One of the factors that was interesting to study at the present time was the defunding of the local security agents by the host state. In fact, opinions on this factor were divergent, but it could be seen that the biggest plurality of companies, although with a small margin, chose the 'very much' option. Of course, in this factor, there was no option that has not been selected, and some companies even believed that this issue does not affect their security at all. Thus, 41.18% (7 companies) chose the 'very much' option and formed the largest plurality. But the next plurality voted in favor of a completely opposite option; that is, 29.41%, which includes 5 companies, chose

the option of 'does not affect'. After this, the 'much' option with 23.53% (4 companies) and the 'less' option with 5.88% (1 company) were selected.

There was no high and absolute majority on natural disasters, and all options had supporters. From these percentages, it could be concluded that investors do not seriously consider natural disasters compared to the security destruction caused by civil war. Therefore, 35.29% (6 companies) chose the 'less' option and with a small difference, *i.e.*, 3 more companies (52.94%) chose the 'much' option, which was the majority. For the options of 'very much' and 'does not affect', each had a company that chose them (5.88%).

Another important factor that should be examined is pandemic, especially with the case of Covid-19 from recent times. The reaction of companies to this factor was also very interesting. The vast majority considered pandemics to be very important to security, and this shows how much the experience of the last two years has affected their mentality. Thus, 76.47% (13 companies) chose the 'very much' option. 23.53% (4 companies) also chose the 'much' option, and thus there was no company that could imagine this factor as having no or little effect.

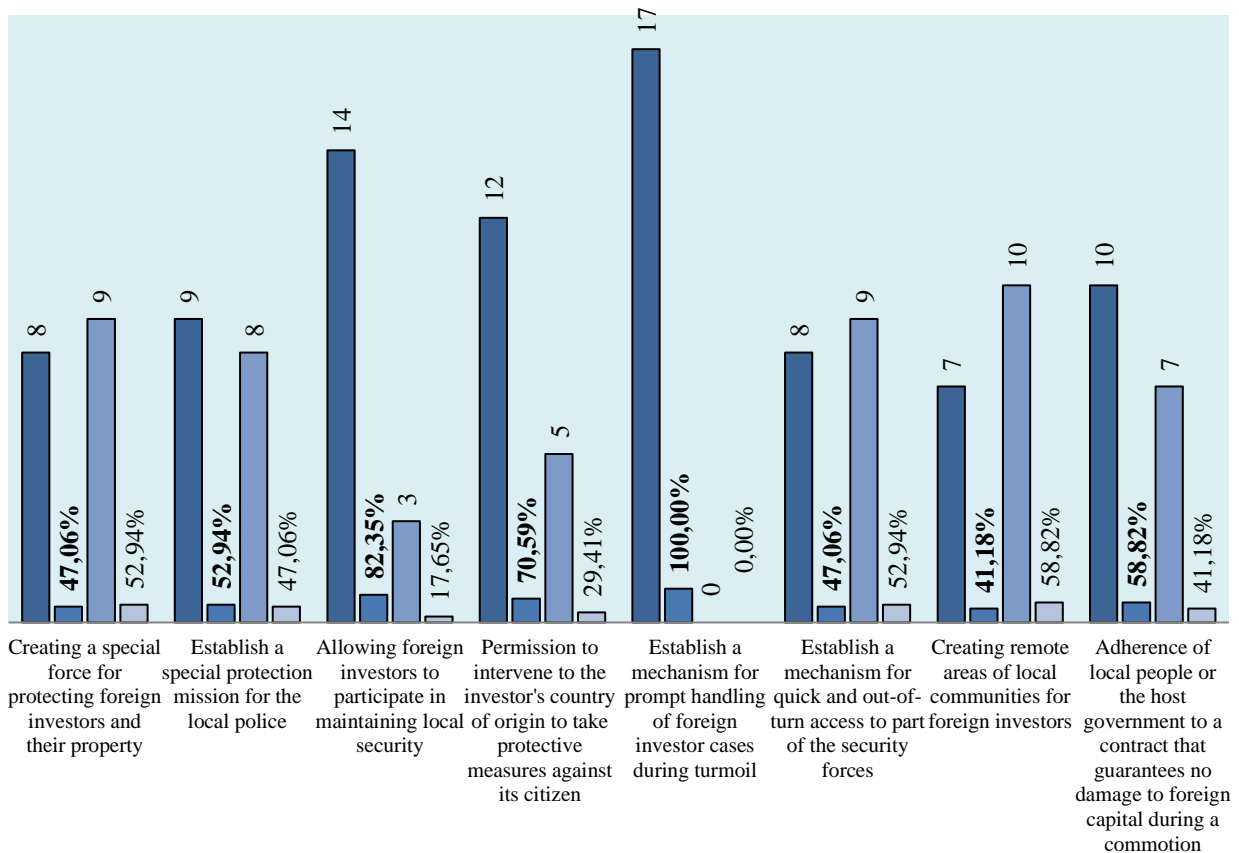
Opinions about rising criminal rates in the host countries varied among firms. This means that a large majority, like the previous one, does not exist for an option and all options had followers. 41.18% (7 companies) chose the 'much' option and formed the largest plurality. The next plurality of 29.41% (5 companies) chose the 'less' option and then 23.53% (4 companies) chose 'very much'. One company also considered this factor ineffective.

With the last question, a very important factor was put to the companies. The existence of confrontational policies with other governments by the host state (such as the Islamic Republic's political relations with Israel) is one of the most important factors that greatly affects the atmosphere of bilateral relations and the trade relations of citizens. The vast majority chose 'very much' for this factor. No factor in this table had an absolute majority of votes as great as with this factor. In fact, 82.35% (14 companies out of 17 companies), chose the 'very much' option, and each of the other 3 options had a share of 5.88% of the statistics, which shows that for each of the other 3 options, only 1 company selected them.

In order to gain a more accurate view of investors in determining how governments maintain security during riots and turmoil, a few common and possible methods were presented to choose from. The chart below shows how investors feel protected in times of unrest and riots, and host governments can use this result to achieve greater investor satisfaction and more FDI.

Below is a description of the survey statistics for each option.

Figure 7. How governments protect the physical security of the investors and their property in times of riots and turmoil



Source: Own elaboration

1- Creating a special force for protecting foreign investors and their property:

Opinions were almost equal for this measure and 8 companies agreed with this option.

2- **Establish a special protection mission for the local police:** 52.94% of companies (9 companies) chose this option and 8 companies did not agree with this method of protection.

3- **Allowing foreign investors to participate in maintaining local security:** This measure of protecting investors was very popular and a significant majority checked this option. Therefore, 82.35% agreed with this method, and only 3% rejected it.

4- **Permission to intervene for the investor's country of origin to take protective measures for its citizen:** 12 companies, which constituted the majority of companies at 72.52%, chose this option. This showed that foreign investors are willing to involve themselves or their government in protecting them during an uprising.

5- **Establish a mechanism for prompt handling of foreign investor cases during turmoil:** Interestingly, all companies voted for this option, and for the first time, all 17 companies agreed on one option. Since 100% of the responses were for one option it seems reasonable. This mechanism could greatly help the host governments to understand better how to protect foreign investors during a riot.

6- **Establish a mechanism for quick and out-of-turn access to part of the security forces:** More than half of the participants rejected this option and only 8 companies (47.06%) voted for it.

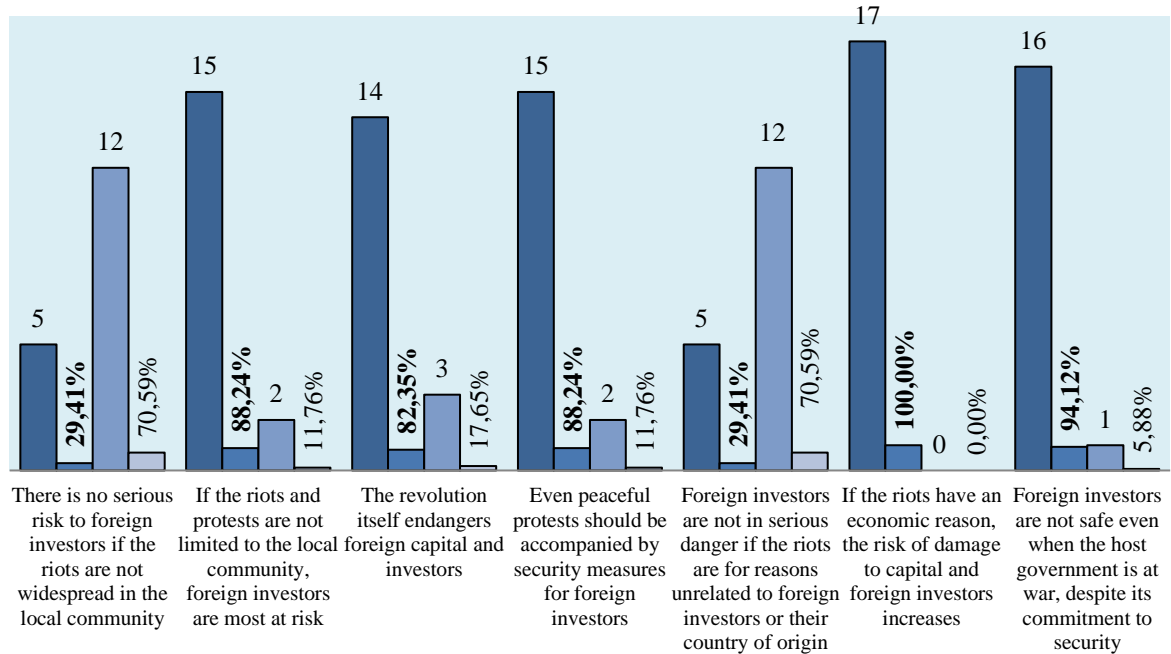
7- **Creating remote areas of local communities for foreign investors:** The companies were not very interested in this option and 58.82% did not choose it.

8- **Adherence of local people or the host government to a contract that guarantees no damage to foreign capital during a commotion:** 10 companies, 58.82%, selected this option and it was welcomed by the majority.

The following diagram tries to show the level of concern and sensitivity of investors to each type of turmoil that disrupts security.

Below is a description of the survey statistics for each option.

Figure 8. Turmoil types that seriously endanger the security of foreign investors and their property



Source: Own elaboration

1- **There is no serious risk to foreign investors if the riots are not widespread in the local community:** Only 5 companies checked this option, and 70.59% did not agree with it - suggesting that they think that even small and non-widespread riots disrupt the security of investors.

2- **If the riots and protests are not limited to the local community, foreign investors are most at risk:** The number who chose this option is interesting. In fact,

15 companies chose this option, which when compared to the first option, indicates that the sense of risk in this case is greater for investors.

3- **The revolution itself endangers foreign capital and investors:** With 82.35% of the companies choosing this option, it was clear that the revolution itself, regardless of its extent, violence and harmfulness, was a deep concern for foreign investors.

4- **Even peaceful protests should be accompanied by security measures for foreign investors:** With 15 companies checking this option, 82.24% of investors were worried about themselves and their capital even during peaceful protests, and thus, even in these cases, they want to create a framework to maintain greater security.

5- **Foreign investors are not in serious danger if the riots are for reasons unrelated to foreign investors or their country of origin:** Compared to the above options, which demonstrate the high level of sensitivity of investors to any unrest and riots, this option had a smaller number of supporters, and only 5 companies voted for it.

6- **If the riots have an economic reason, the risk of damage to capital and foreign investors increases:** One of the most interesting options for companies was the cause of the riots. In fact, there was an endeavor to show their sensitivity to the cause of a revolt. Many of these insecurities can have economic causes and this can disrupt the security of investors. All companies checked this option, and, in this chart, it was the only option that 100% of companies agreed on. This result can be very helpful for government when developing policies and confronting the economic problems of local communities.

7- **Foreign investors are not safe even when the host government is at war, despite its commitment to security:** Here, too, almost all of the companies checked the option and only one company left it blank. This result suggests that even if host governments

strive for the security of investors and are committed, but at the same time are engaged in war on the other side of their borders, investors still see their security at risk.

As described in the methodology, an attempt was made to assess perspectives among companies on treaty clauses to protect investor security. Indeed, although these companies specialized more in economic activity and the treaty clauses are more within the expertise of international law specialists, their point of view on this issue can give a good insight into the expectations of foreign investors on how governments should write them. The following table shows the results of the survey on the provisions of bilateral agreements between the host governments and the origin country of the investor related to the standard of fair and equitable treatment standard. This table shows how companies have voted for 4 items:

Table 20. Main matters in bilateral agreements between the origin country of investors and the host state that provide security for investors

Matters	Items					
	Insufficient		Sufficient		Quite sufficient and Comprehensive	
	Value	%	Value	%	Value	%
Each Party shall at all times ensure fair and equitable treatment to the property of the nationals of the other Parties	3	17,65%	6	35,29%	8	47,06%
Investments of nationals or companies of each Contracting Party shall always be accorded fair and equitable treatment and shall enjoy full protection	2	11,76%	3	17,65%	12	70,59%
The parties shall accord to investments of another Party treatment in accordance with international law, including fair and equitable treatment and full protection and security	2	11,76%	6	35,29%	9	52,94%
The property of investors shall be accorded the most constant protection and security within the territories shall not in any way	3	17,65%	14	82,35%	0	0,00%

Source: Own elaboration

1- Each Party shall at all times ensure fair and equitable treatment to the property of the nationals of the other Parties: Most companies consider this clause to be quite sufficient and comprehensive to maintain their protection in the contract. In fact, 47.06% (8 companies) chose the quite sufficient and comprehensive option. The next

plurality, 35.29% (6 companies), chose the sufficient option, and this showed that investors are more inclined to include this clause in agreements between governments. Only 3 companies (17.65%) rated it as insufficient.

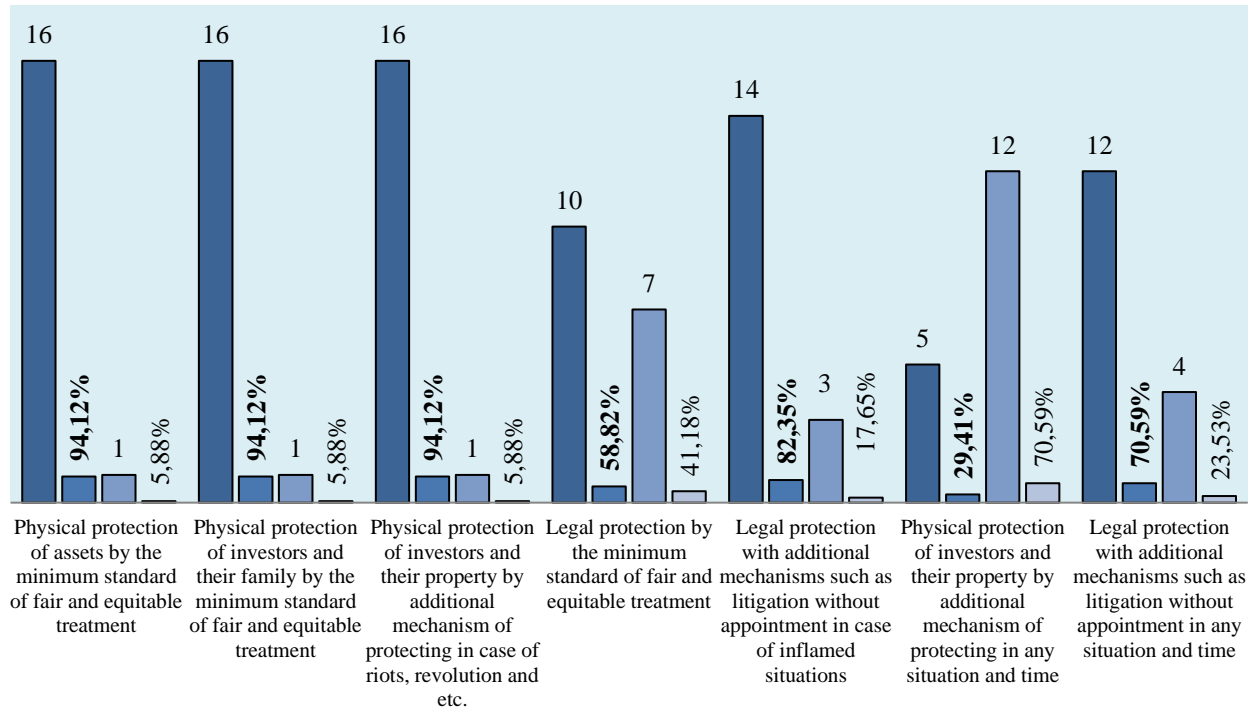
2- **Investments of nationals or companies of each Contracting Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection:** 70.59% (12 companies) chose the quite sufficient and comprehensive option for this clause, this shows how much the inclusion of such a clause in the agreements can bring satisfaction and peace of mind to investors. The next majority, *i.e.*, 17.65% (3 companies) chose the sufficient option and 2 companies considered it insufficient.

3- **The parties shall accord to investments of another Party treatment in accordance with international law, including fair and equitable treatment and full protection and security:** Although there is no absolute majority like the previous clauses, most companies still consider it highly sufficient or sufficient. 52.94% (9 companies) chose the quite sufficient option and then 35.29% (6 companies) chose the sufficient option. 11.76% (2 companies) considered this clause insufficient in the agreements.

4- **The property of investors shall be accorded the most constant protection and security within the territories shall not in any way:** The majority of companies, 82.35% (14 companies), considered this clause sufficient, but there was no company that considered it sufficient and comprehensive. Therefore, if the opinion of investors is important in writing the articles of the agreements, such clauses will be less welcome by investors. The rest of the respondents, 17.65%, chose the insufficient option.

In the chart below, firms were asked about the scope of investor protection and the requirements that are expected of host states. In this chart, 7 factors that determine the scope and conditions of investors protection were presented. As explained in the methodology, these options had to be either checked or dropped. Below, the statistics of each factor are examined.

Figure 9. Perception regarding how a host state meets the investor security requirement



Source: Own elaboration

1- Physical protection of assets by the minimum standard of fair and equitable treatment: The vast majority of companies are interested in the physical protection of property by the host government according to the international minimum standard of fair and equitable treatment. 16 companies (94.12%) checked this option, and only one company did not choose it (5.88%).

2- Physical protection of investors and their family by the minimum standard of fair and equitable treatment: In this statement, as with the first, it is obvious that the same investors again agreed on physical protection according to the international minimum standard and fair and equitable treatment, but in this instance specifically for themselves and their families. 16 companies (94.12%) checked this option, and only one company did not choose it (5.88%).

3- Physical protection of investors and their property by the additional mechanism of protection in case of riots, revolution and etc.: In the third statement, the goal was to measure the level of companies' expectations from a more accurate perspective. What would be the reaction of investors if physical protection went beyond the minimum standard and was accompanied by special and additional measures? Similar to the previous two options, 16 companies (94.12%) checked this option, and only one company did not choose it (5.88%).

4- Legal protection by the minimum standard of fair and equitable treatment: One of the interesting points that could be found in comparison with what was found in the theoretical framework was the statistics of this statement in comparison with the next and previous ones. Although the majority -58.82% (10 companies) - chose the legal protection based on the standard, compared to the previous options related to physical protection, a smaller majority checked this one and 41.18% (7 companies) left this option.

5- Legal protection with additional mechanisms such as litigation without appointment in case of inflamed situations: This statement, like many of the options in this survey, was a suggestion from the researcher. When one compares the statistics in this option with the options related to legal protection in this chart, it is obvious that investors are very interested in being able to use a quick and special trial in times of turmoil. 14 companies, which make up 82.35% of the statistical population, checked this option and agreed with it.

6- Physical protection of investors and their property by the additional mechanism of protection in any situation and time: This statement was proposed to clarify the opinion of companies in comparison with the third option. With this type of physical protection, it is no longer limited to times of turmoil, but a significant expectation of additional measures beyond the minimum standard that an investor as a franchisee can use in all situations. Here the majority, unlike the previous options, did not choose this one,

and it seems that they did not consider it fair and correct. The majority of companies, *i.e.*, 70.59% (12 companies), did not choose this option.

7- Legal protection with additional mechanisms such as litigation without appointment in any situation and time: This statement was also proposed to recognize the views of companies in comparison with the fifth option. As it turned out, most companies did not admit legal protection with additional mechanisms such as litigation without appointment in any situation and time. The vast majority of companies, 70.59% (12 companies), did not choose this option.

The following table shows the results of the company sample questions about the real situation of countries in the field of investor protection. By dividing the regions of the world and giving specific examples to choose from, an attempt has been made to find the actual opinion of the firms about the security situation for investors.

Table 21. Perception of maintaining the security of foreign investors by regions and countries

Perception by region	Maximum Scope of Security	%	Average Scope of Security	%	Minimum Scope of Security	%	I have not any experience and Idea	%
North America, the United States and Canada	11	64,71%	2	11,76%	1	5,88%	3	17,65%
EU Countries	14	82,35%	3	17,65%	0	0,00%	0	0,00%
Western European countries	14	82,35%	3	17,65%	0	0,00%	0	0,00%
Eastern European countries	4	23,53%	7	41,18%	4	23,53%	2	11,76%
East Asian countries (Japan, South Korea, Hong Kong, Singapore)	10	58,82%	2	11,76%	1	5,88%	4	23,53%
East Asian countries (China, Indonesia, Taiwan, Malaysia)	1	5,88%	6	35,29%	6	35,29%	4	23,53%
Middle east countries (United Arab Emirates, Kuwait, Qatar, Israel)	5	29,41%	6	35,29%	4	23,53%	2	11,76%

Middle east countries (Iran, Iraq, Syria, Lebanon, Pakistan, Afghanistan)	2	11,76%	1	5,88%	13	76,47%	1	5,88%
African Countries	0	0,00%	2	11,76%	6	35,29%	9	52,94%
Latin and south American countries	0	0,00%	1	5,88%	8	47,06%	8	47,06%
Australia and New Zealand	10	58,82%	3	17,65%	0	0,00%	4	23,53%

Source: Own elaboration

Australia and New Zealand are some of the best examples of places where foreign investors have positive perspectives on investment. Only 4 companies (23.53%) had no experience or views on Australia and New Zealand. 17.65% (3 companies) chose the average option and there was no company that chose the minimum security for this region of the world. Thus, with a majority of 58.82%, 10 companies chose the option of the highest level of security.

Regarding Latin American and South American countries, 47.06% (8 companies) stated that they have no experience with these countries. Exactly the same number of people with experience of these countries described the level of security as minimal. Only one company (5.88%) picked the average option and none of the companies in the statistical community chose the maximum-security option.

Most of the statistical population did not have experience related to investing in African countries, but those who indicated the level of investor security gave African countries a low or moderate on the scope of security. 52.94% (9 companies) stated that they have no experience. 35.29% (6 companies) considered the level of security in these countries minimal and only 11.76% (2 companies) chose the average option. No company chose the option of the maximum scope of security for African countries, and this is one of the important points about the view of investors on this ancient continent.

According to the current era, this region was divided into two parts in the questionnaire. In fact, by dividing countries of the region into two separate categories in terms of economic and security situation, this research tried to have a more accurate understanding of companies about these two categories in the Middle East. For Iran, Iraq, Syria, Pakistan, and Afghanistan, the vast

majority have both experienced and described the level of security in these countries as minimal. Therefore, 76.47% (13 companies) chose the minimum-security option. 5.88% (1 company) chose the average and 11.76% (2 companies) chose the maximum scope. The majority vote is a good indication of the investors' view of their security situation in these countries.

For other Middle Eastern countries that are better off economically and have developed more economically in recent decades, examples are given of the countries in the Persian Gulf, namely the United Arab Emirates, Kuwait, Qatar, and Israel. 11.76% said they had no experience with these countries. 23.53% (4 companies) considered the level of security to be minimal. 35.29% (6 companies) chose the average option and 29.41% (5 companies) chose the maximum scope. Although the majority of these statistics did not provide a high level of security for these countries but compared to the first group in the Middle East mentioned, investors have an opinion on these countries much better.

East Asia, like the Middle East, experiences two separate systems of governance and economics. In the first group, it was asked about the security situation in China, Indonesia, Taiwan, and Malaysia. 23.53% (4 companies) had no experience with these countries. 35.29% (6 companies) chose the minimum level option. The same number voted for the next option, the average. There was only one company (5.88%) that considered the security sphere in these countries to be the highest.

But in the second category of East Asian countries, the situation is completely different, and the view of foreign investors is largely different from the first category of countries in East Asia. In this option, the security situation in Japan, South Korea, Singapore, and Hong Kong was assessed. 23.53% (4 companies) stated that they had no experience related to these countries. Only one company (5.88%) chose the minimum-security option for these countries. Also, 2 companies (11.76%) chose the average option. But the majority of the statistical population of 58.82% (10 companies) chose the option of maximum security, which shows the good view of most investors to these few countries in East Asia.

The same division had to be made in European countries. Indeed, this refers more to the economic and security situation, and more precisely to the protective scope that governments apply in these countries to foreign investors, and the political classification of the Eastern and Western blocs has been less considered. 11.76% (2 companies) stated that they did not have similar experience. 23.53% (4 companies) chose the minimum scope. But the majority of companies with 41.18% (7 companies) chose the average option and 23.53% (4 companies) chose the maximum option. If these statistics are compared with other regions of the world, it is apparent that the situation of these countries is better with a logical relationship, and the view of investors, although not very positive, is better and more positive than African countries, South America and the first group of Middle Eastern countries.

The same division had to be made in European countries. Of course, this refers more to the economic and security situation, and more precisely to the protective territory that governments in these countries apply to foreign investors, and the political classification of the Eastern and Western blocs has been less considered. For Eastern European countries, 11.76% (2 companies) stated that they did not have related experience. 23.53% (4 companies) chose the minimal territory option. But the majority of companies with 41.18% (7 companies) chose the average option and 23.53% (4 companies) chose the maximum option. If these statistics are compared with other regions of the world, it could visible the situation of these countries is better with a logical relationship, and the view of investors, although not very positive, is better and more positive than African countries, South America and the first group of Middle Eastern countries.

The point of view of investors is very different in the case of Western European countries. In addition to the fact that no company chose the option of not having experience, no company chose the option of minimum security, and this shows how much more positive the fundamental view of this part of the world is for investment. Only 17.65% (3 companies) selected the average option, and the overwhelming majority, with a share of 82.35%, chose the option of the highest security domain.

Concerning the EU, views are exactly the same as those of Western European countries. In addition to the fact that no company chose the option of not having experience, no company chose

the option of minimum security, and this shows how much more positive the fundamental view of this part of the world is for investment. Only 17.65% (3 companies) chose the average option, and the overwhelming majority, with a share of 82.35%, chose the option of the highest security domain.

Opinions are positive about North America, *i.e.*, the United States and Canada, but compared to Western Europe and the EU, the majority were less positive. 17.65% (3 companies) had no experience in these countries. There was only one company that considered the scope of security of these countries to be minimal. 11.76% (2 companies) also chose the average option. But the vast majority, 64.71% (11 companies), opted for the maximum-security option.

This table contains statements that indicate the status and level of protection that investors expect from governments. The degree to which investors agree with these statements can be a good yardstick for governments to measure the level of investor expectations and what they are considering, both legally and administratively.

Table 22. Additional measures required for protecting the investors.

Measures	Items					
	Agreement with the statement		Objection to the statement		Partially agree with the statement	
	Value	%	Value	%	Value	%
Equal treatment of investors is sufficient for the government to be obliged to protect foreign investors	6	35,29%	1	5,88%	10	58,82%
If a host state goes further and granting priorities and additional options to foreign investors regarding the protection of property and themselves is discriminatory	0	0,00%	13	76,47%	4	23,53%
It is sufficient to create clear frameworks for additional measures to protect the property and lives of investors in times of turmoil and unrest	6	35,29%	7	41,18%	4	23,53%
Creating clear frameworks for additional measures to protect the property and lives of investors must be done at all times	7	41,18%	10	58,82%	0	0,00%
Establishing clear frameworks for additional measures to protect the property and lives of investors in developed countries is sufficient only if it is in a time of turmoil	7	41,18%	8	47,06%	2	11,76%

Establishing clear frameworks for additional measures to protect the property and lives of investors is sufficient if available in developing countries	4	23,53%	8	47,06%	5	29,41%
Establishing clear frameworks for additional measures to protect the property and lives of investors in developing countries must be permanent at all times	3	17,65%	7	41,18%	7	41,18%

Source: Own elaboration

1- Equal treatment of investors is sufficient for the government to be obliged to protect foreign investors: The results for this statement show that most investors agree with it, but the majority do not agree with all of this statement and only accept it to some extent. Thus, 58.82% of investors (10 companies) chose the partially agreed option and 35.29% (6 companies) chose the agreement option. Only 1 company (5.88%) disagreed with this statement.

2- If a host state goes further and granting priorities and additional options to foreign investors regarding the protection of property and themselves is discriminatory: In this statement, investors showed interestingly that they do not consider the additional measures and special facilities to protect foreign investors to be beyond reasonable expectations. Another finding is that to a large degree investors are willing to have additional measures and facilities to protect themselves and their capital in the host countries. The vast majority of them do so in going beyond equal treatment, and they do not believe it to be discrimination. Therefore, there was no company that fully agreed with this statement. The majority, 76.47% (13 companies), selected the second option, which is disagreement and objection to this statement. Only 3 companies (23.53%) chose the partially agreed option.

3- It is sufficient to create clear frameworks for additional measures to protect the property and lives of investors in times of turmoil and unrest: The majority of investors agreed on the need to create an additional framework not only for times of turmoil but in all situations. However, the majority were not decisive in their response to this statement and most companies showed only general agreement. However, 41.18% were in favor of the second option, while only 35.29% (6 companies) partially agreed with this statement. The remaining 23.53% (4 companies) fully agreed with this statement.

4- **Creating clear frameworks for additional measures to protect the property and lives of investors must be done at all times:** The results for this statement are similar to the previous statement, but it can be seen that the view of companies is not ambivalent and is placed in two distinct directions, complete agreement or complete opposition, with the majority opposed to this statement. 58.82% chose the second option and 41.18% agreed with the first option.

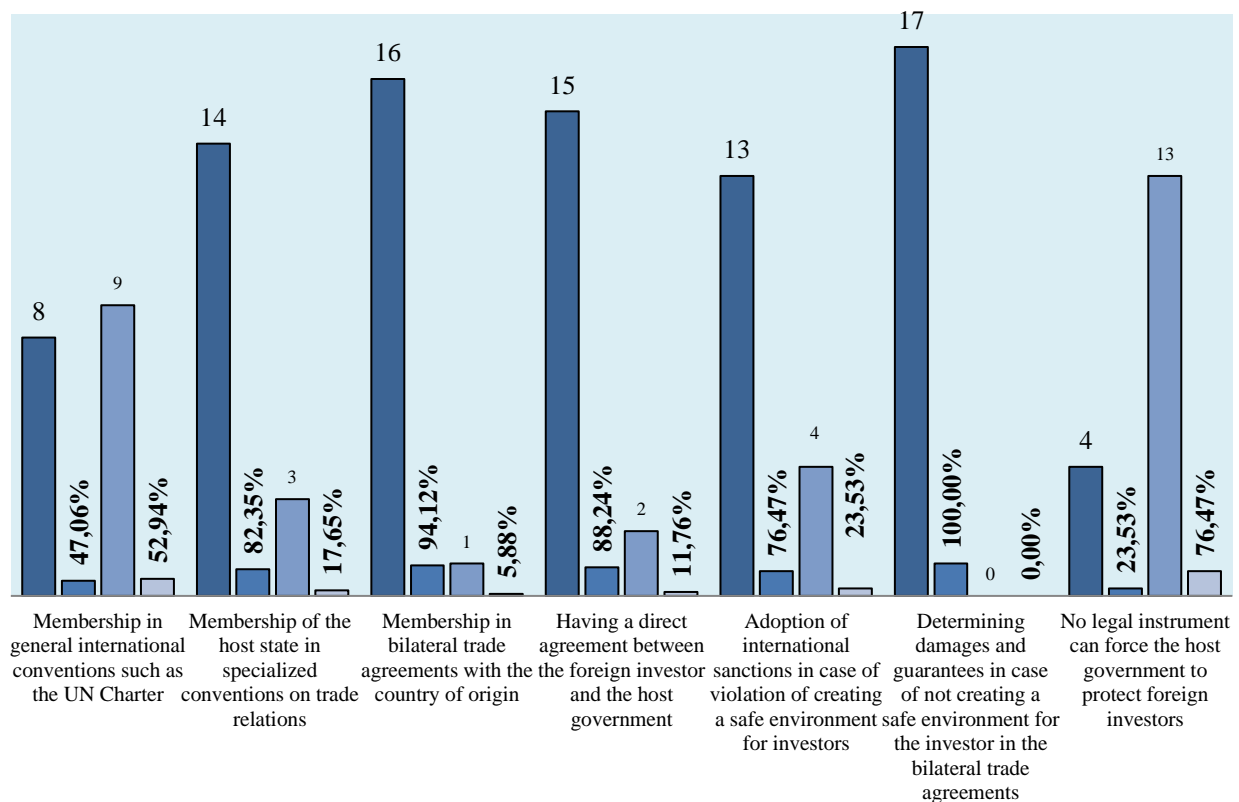
5- **Establishing clear frameworks for additional measures to protect the property and lives of investors in developed countries is sufficient only if it is in a time of turmoil:** For developing countries, however, the majority said that additional measures should not be taken only to protect investors in times of turmoil, and this reflects the general view of investors about these countries. However, the proponents and defenders of this statement were almost equal. 47.06% chose the second option and 41.18% chose the first option. 11.76% were relatively opposed to this statement.

6- **Establishing clear frameworks for additional measures to protect the property and lives of investors is sufficient if available in developing countries:** For this statement, the intention was to understand how investors regard the limitations in facilities in developing countries. However, the majority of companies disagreed with this statement (47.06%). 29.41% (5 companies) partially agreed with it. 23.53% (4 companies) fully agreed with this statement.

7- **Establishing clear frameworks for additional measures to protect the property and lives of investors in developing countries must be permanent at all times:** The number of investors who disagreed or partially agreed with this statement was equal, and 41.18% (7 companies) chose the second and third options. 17.65% completely agreed with this option.

The following statistics show in which cases investors consider the executive guarantee and commitment of governments to better protect them.

Figure 10. Factors which make the host government more committed to protecting foreign investors.



Source: Own elaboration

The membership of a state in an international convention is one of the cases that demonstrates its commitment to other countries, and even if these treaties have a general aspect, such as the UN Charter, the commitment of states to international rules will be demonstrated. Nonetheless, the membership of states in international conventions is not by itself a reason and guarantee for the implementation of a due diligence obligation. The results in this option showed that the views for and against this statement are almost equal, but with the exception of only one company, the majority did not vote for it (52.94%).

In a situation where the host government is involved in trade conventions, the issue of investment becomes more specialized and the duty of governments to meet specific obligations of

investment relations will be greater. The vast majority of investors, 82.53% (14 companies), agreed with this option and 17.65% (3 companies) did not choose this option.

One of the tools that usually leads to the development of investment is bilateral trade agreements. As a result of contractual concessions, these agreements encourage investors to invest in countries where good relations with the government of their origin have been established. Therefore, almost all companies, 94.12% (16 companies), chose this option, and only one company did not check it.

Having bilateral agreements with a government or government-affiliated entity goes beyond relations under treaties between governments, and through these investors and the governments may better incorporate their wishes into an agreement. A significant majority voted in favor of this option (88.24%) while 11.76% (2 companies) did not choose this option.

International sanctions are one of the instruments that have been used by governments and international organizations in recent decades to control or detain offending governments. With this option, the use of sanctions when the host government violated FSP was polled, and the majority agreed with it. 76.47% (13 companies) chose this option and 23.53% (4 companies) did not agree with it.

Contractual guarantees are one of the best and clearest guarantees that make the parties more secure in receiving compensation for damages. Of all the options on this chart, it is the only one that gained the votes of the entire statistical community, and 100% of the companies agree with this option.

Many people see the issue of government's commitment to the rule of law as distant from the real world. They believe that no instrument in international law can stop a government from fulfilling or violating an obligation. However, 76.47% (13 companies), *i.e.*, the majority of investors, did not believe so and considered legal instruments as one of the best ways to oblige governments to implement FSP. However, 23.53% (4 companies) still agreed with this option.

6. CONCLUSIONS

The FSP is one of the most fascinating topics in international business and investment law, which despite its importance and significant role in custom and international agreements, has not been sufficiently investigated in contemporary literature. Especially in some way where the investors and academics can obtain new explanations and mainly new approaches. Not only for understanding better all the issues related with these topics but also other options or methods for processing the information of international business and investment law for decision-making's purposes.

There are disagreements or ambiguities about the dimensions of FSP but whatever the case, investment standards are generally designed to support the investors and to strike a balance between the power of a host government and a foreign investor. At the beginning of the theoretical discussion, the principles of FSP and its origins in international business and investment law were examined. This project has analyzed the creation of and historical changes in FSP and how it can influence decision-making in international business. In fact, the project has defined the meaning of FSP and the relation between investment law and international business and explored these important questions, which have not yet been investigated deeply considering the current literature in this regard:

Therefore, all previous RQs are important in this thesis because their explanations were part essential in this document. Then, in the following paragraphs it is possible to conclude regarding each of them different general reflections after completing the objectives of this work.

1. What is the definition and scope of FSP, and other investment standards, in investor's decision-making?

To answer the first question, a theoretical framework was created by exploring the sources available in the business and law research literature. This theoretical framework included topics that play a fundamental role in understanding the topic of the thesis as well as the two case studies.

In this way, it is possible to conclude although the recognition of a duty for governments to uphold the rights of aliens and create equal security for them dates to ancient history and pre-modern times, the formulation of an international rule that is customarily enforced and widely mentioned in international treaties only occurred in the last century. After World War II, and especially after the Charter of Havana, the standard of Full Protection and Security earnestly entered codified law, and the business world became acquainted with a concept that could largely guarantee the security of investors, and thus boost investment and economic revenue on a global scale. No one could deny the fact that the international investor sought profit and that if the world requires the movement of the capital, then it must protect foreign investors in a rational and proper way.

The FSP has arisen from customary needs whose root is in daily business transactions among merchants. Many features of investment standards and specifically FSP have been determined by customs and are thus referred to as customary standards. As a result of their significant role in business law and their effect on international business, many scholars have attempted to provide a comprehensive and accurate definition of investment standards, including FSP.

It is not possible to define this standard and account for its full characteristics without examining the scope of the standard. In fact, one needs to be fully aware of the extent to which this thesis can expand the scope of a standard that has entered into force under a treaty or agreement. The most important controversy between tribunals and scholars in this regard has been whether physical protection should be maintained, and if such a standard should be considered to exist indefinitely. It is also debated whether this paper must expand the scope to include another type of protection - legal protection. Many arbitrators and authors have argued for the need to expand the scope of the standard and include legal protection.

Some have argued against them, arguing that even if legal protection is considered as part of the scope, its implementation does not make sense, and it is not clear what this legal protection is for the investments and the investors. Assessing the opinions of the authors who have argued from both points of view, it was concluded by the author of this thesis that the generally accepted

meaning for the standard is the same as physical protection, and in light of the ambiguity of legal protection cases, physical protection should still be the main aspect of the standard.

The writer of this thesis believes, however, that this should not be a reason to be inflexible and or adopt a rigid point of view. If in some cases the situation is recognized with the appropriate argument, legal protection could be included in the standard and not withdrawn. Some arbitrators, who considered legal protection to be inside the scope, made irrelevant arguments or made no arguments at all. Therefore, the fact that more arbitration awards each year include legal protection in the scope of FSP should not lead to a misunderstanding of the main point. The existence of increasingly positive perspectives regarding the inclusion of legal protection in the scope of FSP does not make such perspectives right.

Measuring the application of the protection standard can only be done by data assessing the host government's due diligence. It is not the case that if any incident happens involving foreign investors the host government is held responsible in mostly cases but measuring the implementation of the host government's commitment to this standard is a way to prove the success or failure of the host government in its exercise of due diligence.

Due diligence itself involves actions and reactions that a host state must take to respond appropriately to harm to the investor done by a third party. Indeed, there is still no precise and comprehensive definition of how due diligence should be exercised, and this may be different in each case. In an overview of the prevailing opinions in this field, the thesis concluded that due diligence is a commitment by host states to prevent harms to investors by third parties through the creation of frameworks and measures.

In the case of damage done to foreign investors, host states should not fail to punish the culprit and compensate for the loss based on reasonable measures based on BITs and international law in force. Due diligence is measured by a criterion called reasonable measures, the behavior that is expected of a reasonable state. Due diligence must be enforced by the host government in response to many of the issues that threaten investor's security, such as wars, revolutions, natural disasters, etc. Based on what has been discussed, the thesis concluded that the responsibility of

governments to pay damages to investors who were harmed by a third party should be equivalent to the extent of their responsibility for their failure to improperly execute due diligence and not the payment for harm done by third parties.

By studying the tribunal decisions and works of scholars in the field of FSP, there is always an overlap between this first standard and FET standard. This is mostly because both parameters have a protective aspect and are interpreted in the atmosphere of custom. Some even deny the existence of the FSP standard, given the primacy of FET for protection in law and practice. In this way, based on the analysis of this thesis, these two standards are of a separate nature. In fact, one relevant reflection in this regard is that the FSP standard forces host governments to create a framework and implement certain measures that go beyond maintaining a level of equity between citizens and foreign investors. If this conflict is not to be eliminated, it is better to interpret and execute the items that do not fit in the FSP with FET instead. For example, cases of legal protection are of a different nature, and if in a case the necessary legal protection cannot be ignored, and it is considered the right of the investor, it should be interpreted in the light of FET.

Another conclusion to be drawn is that the responsibility of host states to exercise FSP and due diligence should not be considered an absolute and strict responsibility. As mentioned before, host governments should only be held accountable if they fail to enforce due diligence properly. Then, it is possible to state that this commitment should also be weighed against the circumstances of each case, and to hold a host state accountable in the light of its international responsibilities in the framework of BITs, multilateral trading system, or any other commitment within international law. Therefore, many matters must be considered such as comparing government behavior with other investors, government facilities, the development of law, enforcement and protection of legal framework, and the prevailing regional considerations must be taken into account regarding the guaranties for business in general.

2. What is the business and legal framework to provide protection and security for foreign investors in Iran?

To address the second question, the current thesis has explored the rules in Iran, which is still an unsafe country for foreign investors, and it explains how they have enacted rules in regards of foreigner investment protection. Obviously, this developing country has improved in some issues regarding international investment however the general environment requires relevance to be improved in order than this kind of international business operations significantly increase.

A crucial point in the history of foreign investment in Iran dates to the year 1955 when the government, in order to control and secure the performance of foreign investments, adopted a code entitled the LAPFI 1955. After the revolution of 1979, foreign investment experienced a great recession. After the 1979 riots, the parliament of the Islamic Republic passed a second major act for foreign investment in 2002, known as the FIPPA. These legal changes were presented to give a picture to a business decision maker, and therefore this paper has sought to develop special tools to help investors to see risks in quantitative terms so that it would be easier for them to make decisions. In the same way, this type of tools can also contrast the current Iran's environment regarding many other countries because this is the cornerstone of international investing. In other words, the legal framework in an essential variable which investors have to consider in order to compare and further to reach a decision depending on the circumstances of each market and even according to the type of investing and features of the industry involved.

This thesis aimed to comprehensively analyze the issues surrounding FSP and due diligence. It identified unknown aspects through the field of research by going deep into business facts and law sources, especially actual cases that resulted in arbitration awards. In addition to examining qualitative and theoretical topics, two separate case studies, A and B, were carried out as part of the quantitative research methodology where clearly the legal framework matters.

3. What are the most relevant variables and environments related to security, insecurity and FSP related issues and what is their influence on business decision-making?

To answer the third question, it is possible to draw from all parts of the thesis. From the theoretical framework and the discussion of decision-making to the two case studies, each element

characterizes an aspect of the environments and variables that are related to the issues of security and insecurity, as well as decision-making.

Similarly, one of the most relevant contributions of the current paper about the understanding of security in the international investing is precisely the design of this technique for decision-making. This is why the security is related with the general environment of a country as well as the conditions of the effectiveness of established rules and legal frameworks. The security conception is based on the stability and the positive perception that somebody else have regarding a specific social group. However, in order to reach the purpose of measuring this item is essential the information availability; hence, this thesis allowed not only to identify items related with security in theoretical terms but also with data and reliable information from official institutions.

In other words, the suggested environments such as economic, political risk, international relations, technological, civil, and cultural each have 3 specific variables, as explained in case study A, that can have influence on investor's decision-making. This means it is possible to formulate a comprehensive technique for analyzing and comparing different countries in terms of security in order to choose the best option possible for enterprises when they try investing their capital or assets in any specific place.

In case study B, the people who answered the questionnaire were faced with variables of insecurity such as war, revolution, pandemic, etc. These are variables that reflect the situations that seriously affect the security of investors. Therefore, the perception of internationalized enterprises involved in investment procedures counts in the way that all these notions create an idea about social circumstances of a region, society, or country.

Even sometimes exist some bias which need to be compared with data in order to ensure reliability in this type of studies which are usually considered for decision-making in international business as well as managerial process.

4. What is the useful tool for identifying the best country for investing for firms from Iran interested in the EU, taking into account FSP and other investment standards?

To address the fourth question, this part is also relating with case study A obtained results through the implementation of the multi-criteria technique, which can play an important role in analysis of diverse features, in this case, for Iranian investors interested in investing in the EU.

Therefore, all this approach for decision-making was developed for establishing an innovative manner for understanding the interpretation of due diligence and the FSP standard in international business. This is why the current technique is complete tool for countries interested in other markets for investing abroad; all of this, with solid reasons and based on facts which support better why one market destination respect any other.

That is to say, which an approach like this allowed that main formula of all this study shifts the numerical values from data for any environment and any single variable's data in a 1 to 10 scale. Hence, examine the dimensions of due diligence and suitable investment environments based on the most reliable and official sources available is significant contribution for understanding better a part of international business. Obviously, it is relevant to add that this technique for analyzing different environments is potentially usable with any country or any market but in this thesis the selected example was the EU considering all the possibilities of this trade bloc.

By normalizing the official data (indexes) with the indicated formula, the results ranked the circumstances of each country in 6 environments and 3 variables within each environment. Then, within this section, it was concluded that, according to the results of the tables in each environment and summarizing them with point-by-point charts some countries offer, as potential host, interesting opportunities from the due diligence and security notion from their security defined with the punctuation.

Similarly, after applying the formula in the multi-criteria technique developed for this work for each preselected country, it was determined which countries have the best position in the six environments. According to Figure 2, the best countries in the economic environment are Bulgaria, Germany and Estonia, respectively. In terms of political security, the best country with the highest

score 10 is Belgium, followed by Latvia and the Czech Republic. In the environment of international relations, Romania came in first with the highest score, France in second and Belgium came in third. In the environment of technology, the best countries were Romania, France and the Czech Republic. In Civil, the Netherlands, Poland and Lithuania finished first to third, respectively. Romania, the Czech Republic, and Denmark also have the best positions in the cultural environment. When all these environments are examined as a whole, as summarized in Figure 2, the Czech Republic, Belgium, and Romania are first to third, respectively.

Obviously, many of the previous results may seem surprising at first; however, the information comes from official sources that, due to their prestige, become important and highly reliable. In this sense, as an additional reflection, it can be highlighted that this is precisely a rather striking situation considering that before applying this methodology there may be prejudices or preconceived ideas regarding which may be the countries with the best scores for each environment. In any case, the data is what determines the level of reliability of these possible ideas regarding a specific place to invest from FPS standard defined in all this work.

Therefore, combining certain mathematical techniques related to the theoretical themes addressed in this thesis is important because this condition allows for an improvement in the quality and the rigor of due diligence in the international investing process. Likewise, when the entire multicriteria technique for decision-making is applied to the technique, the results are based on the most realistic and logical data that exist in the real world. This is why, it is essential to identify previously the best possible sources checking their contents, methodologies, theoretical support as well as the prestige of the organization that publish this data as fundamental input for the current study. This is because current information quality also grants a disclaimer to researcher who process this type of data.

The countries in the investment procedures usually have a score depending on the adopted methodology for these purposes. Precisely one of the most famous examples for measuring the most attractive countries and their markets destinations for investing is the World Bank and its initiative Doing Business. However, that approach do not include the due diligence issue in depth; then, despite this model has reliable information in their official international databases, this raw

data does not necessary allows the investor to process and make a decision with a specialized technique developed for a tailored analysis depending on the features of each market.

Therefore, the creation of a technique like the explained in this thesis for measuring due diligence by explaining various environments is essential and beneficial. In addition to giving a comprehensive overview to investors, it can highlight the best options in a brief and clear format. This paradigm could be effective for future research projects and become a beacon for those wishing to be able to accurately assess the situation of countries in terms of issues such as due diligence. Thus, if any investors from a specific country as Iran, just like in this case, want to evaluate a country or different countries as potential destination for investing. They may now have a more comprehensive overview based on valid scientific data. However, the researcher must be aware that the results may not be generalized across all businesses, but this set of reliable results, based on the multicriteria approach, is a new move to facilitate investment based on a more realistic perspective.

5. To what extent could security, insecurity and FSP related issues influence decision-making of foreigner investors especially in countries such as Iran?

To answer the fifth question, Case Study B was based on a detailed survey of 17 firms as a statistical starting point for measuring perceptions of internationalized enterprises in the EU in this case mainly from Austria. Then, in this part of the thesis the researcher is totally aware that it would be interesting to dispose more respondents to improve the quality of the study. However, considering the currents limitations and merely the availability of resources for all this work; it was possible just complete this part with the pointed-out number of European enterprises. This is why, it is suggested as future lines replicate this idea in other scenarios, or potential analyzed countries, with a greater significant number of respondents depending on the availability of resources for each case. Therefore, in methodological terms it is obvious that this group of persons could be bigger for increase the rigor of the current study however their answers grant an essential approach regarding European firms potentially interested in investing to Iran.

Therefore, considering the results of this specific survey it can be used all this information to establish a notion or idea regarding how enterprises in developed countries, such as the EU and mainly Austria in this case, understand how the implementation of foreign investing with other countries such Iran might be. All of this, considering also additional notions regarding due diligence and FSP standard as central issue of this thesis.

This survey, which consisted of 3 separate sections based on different topics surrounding the discussion of FSP, produced detailed statistics presented through charts and tables. Each of the questions, with multiple options or environments, clarified aspects of investors' approaches to discussing their perceptions of security and what they desire it to be. If all the results of the survey are compared with each other, it is visible how surprisingly significant the issues of FSP and due diligence are for foreign investors, and this is a clear discovery for the research literature which is based on scientific statistics.

In this manner, it is possible to indicate that mostly investors usually choose options that included additional measures and frameworks (in addition to FET), but in this way, most of them did not go beyond reality and, in a larger view, were realistic. They are close to being rational. For example, most investors want to create a clear framework of due diligence that will keep them more secure in times of serious danger, such as riots, revolutions, wars, and so on. In this section, even the point of view of companies working across countries in terms of the security of investors and due diligence was measured. Some countries and regions, such as Australia, New Zealand, Western Europe, and North America, have made the best impression on investors in this regard, and conversely, African countries, some Middle Eastern countries, South and Central America are not perceived very positively in the minds of investors.

Final conclusions

This research has sought to offer a different perspective to analyze the issue of foreign investment within international business. The above, not only because it has sought to identify some general rules that intervene at the local level within a particular country but also some general international rules, apart from the BITs, including jurisprudence applied in this case for a

developing country such as Iran. It is evident that certain countries may have certain conditions that make them more attractive for the reception of foreign investments as there are also countries that despite their social conditions in general have companies that seek to invest abroad. This is because regardless of the social difficulties that interfere in their indicators or criteria that determine their capacity to invest, in any case they try not to isolate themselves from the possibilities offered by international business based on certain resources, raw materials, processed goods or even services that can be offered in an economy even with development problems. That is why, in addition to the reasons given in previous chapters, this Persian country has been used as an example to analyze the whole research problem formulated in this work.

Similarly, the criteria proposed in this paper to address the notion of PSF within due diligence are a way of seeing and understanding the foreign investment process. All this from the perspective of potential investor countries or host countries of international investment from the theory as well as especially from the information available from official databases. Although the technique that has been developed in this thesis is innovative and effective for the understanding of a subject as complex as the one addressed here. In any case, it can still be strengthened with new environments and new variables that explain the PSF within the processes of foreign investment in international business.

Therefore, as possible future lines, readers of this research, interested in delving into the subject, are invited to provide new environments and variables that can potentially make improvements to a technique that, although it is quite rigorous, will always be capable of continuing to be strengthened with new techniques. Environments apart from those already formulated such as economic, political security, international relations, technological, civil, and cultural.

It is clear that developing countries are usually those that present the most challenges to overcome so that other countries, especially developed ones, can perceive them as attractive to direct their investments and capital. In this sense, Iran, like many other developing countries, shows notable difficulties at the FSP level despite showing important changes in recent years. It is for all this that this study shows the peculiarities of a complex market but also tries to encourage

investors from that country to look for options in other regions of the world, such as the EU in this case. All this considering certain criteria that can also be used by other developing countries as well as among developed countries. On the other hand, the proposal attempts to analyze, from the other side, the perceptions of businessmen from a developed area such as the EU regarding how they see a developing country such as Iran in this case. Therefore, this is the reason why this study is called a bilateral approach for decision making within international investment.

The bilaterality of this study has to do with the two points of view to understand the process of foreign investment with a country with so many challenges to overcome at the FSP level as Iran. Therefore, all this work offers in Case Study A an evaluation to recognize the best alternative to invest in the EU, all from the criteria developed, also considering the cultural affinity of each of the countries analyzed with Iran. In Case Study B, the opinion of potential investors from the EU, mainly from Austria, about their impressions of investing in the Iranian market is clearly identified. In this sense, that country is also invited to enter into bilateral treaties and multilateral agreements to create frameworks for due diligence that help attract foreign investment and improve how its economy is seen from abroad.

As a critical comment, foreign investment in developing countries tends to be carried out under limited and specific conditions, because the general security that investors seek is very important. In the case of Iran, experiences such as the Islamic disturbances of 1979 in that country and the breakdown of investment relations between the world's economic poles, especially the United States, show the importance of security for foreign investors. In fact, recently Iran and the region have had a rather unstable climate due to various social episodes that are always seen as a disadvantage for those seeking to invest. That is why, according to these experiences and based on the findings of this investigation, the Iranian government could develop initiatives and policies that are a little more forceful to improve its legal mechanism and further encourage its international trade.

Last but not least, it is important that this technique can be replicated in other scenarios with other pre-selected countries. Not only to recognize the score that each of these can have depending on the environments and their variables; but from the cultural affinity that each of these

can reach with the country of reference that is analyzed, as happened in this case with Iran. After all, the notion of FSP can always be analyzed with other options given the availability of information from the official databases considered within this doctoral thesis.

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