

Analysis of the Conditions and Regulations of Contract Termination in the Laws of Iran and Iraq

Marwi. Kareem Nayyef¹, Leila. Raisi^{2*}, Ahmed. Razzaq Nayyef³, Mojtabi. Nikdosti⁴

¹ PhD student in private law, Isfahan (Khorasgan) Branch, Islamic Azad University, Isfahan, Iran

² Professor of Law Department, Isfahan (Khorasgan) Branch, Islamic Azad University, Isfahan, Iran

³ Assistant Professor, Department of Law, Dhi Qar University, Dhi Qar, Iraq

⁴ Assistant Professor, Department of Law, Isfahan (Khorasgan) Branch, Islamic Azad University, Isfahan, Iran

* Corresponding author email address: raisi.leila@gmail.com

Received: 2025-01-02

Revised: 2025-02-12

Accepted: 2025-02-27

Published: 2025-07-01

Contract termination is an essential legal tool in contractual systems, allowing the termination of contracts when specific conditions arise or when one party breaches its obligations. This paper analyzes and compares the conditions and regulations regarding contract termination in the legal systems of Iran and Iraq. Initially, the concept of contract termination, its differences with other methods of contract dissolution, such as rescission and cancellation, and its significance in protecting the rights of the parties are discussed. The study then examines the various types of contract termination in both countries, including legal termination, contractual termination, and termination due to non-performance of obligations. The paper addresses the similarities and differences in the concepts and provisions of contract termination in both legal systems and explores the challenges related to its implementation and legal processes, the economic implications of contract termination, and its impact on business and financial relationships. Furthermore, the paper proposes solutions to improve the process of contract termination in both countries, including legal reforms, clarifying judicial procedures, and suggestions to mitigate the negative economic effects of contract termination. The findings of this research indicate that, despite major similarities, there are significant differences in the implementation and conditions of termination in both countries, which can affect the commercial and economic relationships between parties. Ultimately, the paper emphasizes the necessity of legal reforms and procedural changes in both countries to facilitate the fair enforcement of contract termination principles.

Keywords: Contract termination, Iranian law, Iraqi law, rescission, cancellation, non-performance, legal reforms, economic effects of contract termination.

How to cite this article:

Kareem Nayyef, M., Raisi, L., Razzaq Nayyef, A., & Nikdosti, M. (2025). Analysis of the Conditions and Regulations of Contract Termination in the Laws of Iran and Iraq. *Interdisciplinary Studies in Society, Law, and Politics*, 4(4), 1-11. <https://doi.org/10.61838/kman.isslp.4.4.3>

1. Introduction

Contract termination refers to the automatic dissolution of a contract without the need for any specific action by the parties. This concept is particularly distinct from rescission and mutual termination, both of which require the direct involvement of the parties to

dissolve the contract. While rescission occurs based on a breach of obligations by one of the parties or the occurrence of specific conditions stipulated in the contract, and mutual termination happens when the parties agree to cancel the contract, termination occurs automatically due to legal or contractual reasons. In essence, termination results from the occurrence of



specific conditions that render the execution of the contract impossible or unreasonable, such as the death or incapacity of one of the parties, unforeseen changes in economic conditions, or the lack of legal capacity of one of the parties to fulfill obligations. In this regard, termination serves as a significant legal tool that allows the parties to be released from an unenforceable or unfair contract under specific circumstances (Mohammadi & Kadivar, 2016).

In Iranian law, contract termination is addressed in the Civil Code. Articles 219, 221, 228, and 267 of the Iranian Civil Code specifically address this issue and outline various conditions for the occurrence of termination. For example, if one of the parties lacks legal capacity, the contract is automatically terminated, or if one of the parties is unable to fulfill their obligations due to death or incapacity, the contract is legally terminated. These specific conditions and regulations are significantly different from rescission and mutual termination, as they do not require the parties' intention or decision to end the contract; instead, termination occurs automatically and without the need for any specific action by the parties (Khodadadi & Mazaheri Kouhestani, 2020).

However, termination is not limited to breaches of obligations or changes in specific conditions. The parties to a contract can stipulate conditions for termination within the contract itself, meaning that if certain predefined conditions occur, the contract will automatically end without the need for any declaration by the parties. For instance, in some contracts, failure to pay the purchase price or delay in product delivery can be stipulated as grounds for termination. Such conditions enable the parties to avoid judicial action or agreement for rescission and allow for automatic termination (Mohammadi & Kadivar, 2016; Safizadeh, 2022; Shafiee, 2018).

In Iraqi law, there are similarities with Iranian law; however, significant differences exist in the regulation and implementation of contract termination in Iraq. The Iraqi Civil Code, particularly in Articles 173 to 180, addresses contract termination and specifies its conditions and provisions. One notable aspect of Iraqi law is that termination can occur both due to a breach of obligations by one of the parties and the occurrence of specific contractual conditions automatically and without prior agreement between the parties. For example, failure to pay the purchase price or delay in

fulfilling obligations can result in termination. Under such circumstances, once the other party becomes aware of the failure to fulfill obligations, they have the right to rescind the contract without the need for any additional action (Kaviani, 2012; Mahmoudi, 2016).

Comparing contract termination in Iranian and Iraqi laws is of great importance, as these two countries, despite having many legal similarities, also exhibit significant differences in terms of implementation and legal interpretation. On the one hand, the Iranian legal system is largely influenced by Islamic jurisprudence, with many of its civil laws based on Sharia principles. In contrast, Iraq's legal system, in addition to Islamic influences, incorporates elements of the French Civil Code and other Western legal systems. These differences necessitate an analysis of contract termination in both countries, considering not only legal conditions and regulations but also cultural and legal adaptations and differences (Abdullah, 2017; Mir Abbasi, 1998).

The selection of these two countries for comparison is due to their cultural and historical similarities. Additionally, both countries hold significant importance in terms of trade and commercial contracts, with many of their legal issues, particularly in contract law, being similar. Therefore, examining contract termination in Iranian and Iraqi laws can provide a better understanding of how contracts are dissolved in these two legal systems and reveal the challenges and opportunities within each system.

The aim of this article is to examine the conditions and provisions of contract termination in the legal systems of Iran and Iraq. Given the importance of termination in commercial and legal contexts, this study aims to provide a detailed analysis of the legal conditions in each country while also exploring the differences and similarities between the laws of Iran and Iraq. Furthermore, the article will discuss the economic and legal impacts of contract termination in both countries and its practical challenges. This analysis will assist researchers, lawyers, and business professionals in better understanding the existing legal conditions and taking informed steps in drafting contracts and managing legal risks.

2. Theoretical Foundations of Contract Termination

Contract termination refers to the automatic conclusion of a contract without the need for specific actions by the parties. This process becomes particularly significant

when the continuation of the contract is no longer possible due to legal or contractual reasons. Compared to rescission or mutual termination, both of which require the intervention and intent of the parties, termination occurs automatically due to the occurrence of specific conditions without the need for a request or declaration from the parties. Termination may result from specific legal circumstances, unforeseen changes in the parties' conditions, or conditions stipulated within the contract itself. This concept has been recognized not only in Iranian civil law but also in many other legal systems and is commonly used as one of the primary mechanisms for contract dissolution.

The characteristics of contract termination in the Iranian legal system, similar to many other legal systems, are primarily regulated within the framework of civil law. According to Article 267 of the Iranian Civil Code, termination is considered a method of contract dissolution in which the contract is automatically nullified due to the occurrence of specific conditions. These conditions are usually anticipated to render the performance of the contract impossible or unreasonable. Termination occurs when continuing the contract is no longer logical due to reasons such as the death or incapacity of one of the parties, or a fundamental breach of contractual obligations. One of the key features of termination is the absence of the need for any declaration by the parties. In cases where the conditions stipulated in the law or contract are fulfilled, termination is executed automatically (Mohammadi & Kadivar, 2016).

There are various types of contract termination, each corresponding to specific conditions. Legal termination is one of the most common types, occurring naturally and without the need for the parties' agreement. In this type of termination, specific legal conditions lead to the automatic conclusion of the contract. For example, according to Article 219 of the Iranian Civil Code, if a contract is concluded with an individual lacking legal capacity, such as an insane person or an immature minor, the contract is automatically terminated. This measure, particularly in Iranian law, is intended to protect vulnerable individuals from inappropriate contracts. Furthermore, Article 221 of the Iranian Civil Code stipulates that if one of the contracting parties dies or becomes incapacitated, the contract is automatically terminated unless its nature allows for continuation.

This type of termination is particularly important in preserving the rights of the parties and preventing potential losses in unforeseen circumstances (Khodadadi & Mazaheri Kouhestani, 2020).

Contractual termination is another type in which the parties mutually agree to terminate the contract. This type of termination usually occurs based on mutual consent or pre-established conditions within the contract. In this case, the parties, due to changes in circumstances or unwillingness to continue the contract, agree to its conclusion. This type of termination is widely used in commercial contracts, especially when economic or social changes occur. In Iranian law, Article 233 of the Civil Code allows the parties to include specific conditions for termination. For instance, they may stipulate that the failure to fulfill a specific condition or obligation grants the right to terminate the contract (Mohammadi & Kadivar, 2016; Safizadeh, 2022; Shafiee, 2018).

Another form of termination arises from non-performance of obligations. In this scenario, if one party fails to fulfill their obligations in a manner that renders the continuation of the contract impossible or unreasonable, the other party has the right to terminate the contract. This type of termination is common in contracts where financial or timely performance obligations are of paramount importance. For example, in sales contracts, if the seller fails to deliver the goods on time or delivers defective goods, the buyer may request termination. Article 251 of the Iranian Civil Code explicitly states that if one party fails to fulfill their obligations, the other party may exercise their right to terminate the contract (Abdullah, 2017; Mir Abbasi, 1998).

Termination due to stipulated conditions is another type, where the parties anticipate specific conditions for termination at the time of contract formation. In this type of termination, the contract is automatically concluded when the stipulated conditions occur. These conditions can include force majeure events such as war, earthquakes, or floods, which automatically terminate the contract. Such conditions are often included in international and commercial contracts to release the parties from their obligations in case of exceptional circumstances. Article 228 of the Iranian Civil Code also addresses this issue, stating that unforeseeable changes in economic or social conditions may lead to contract

termination (Abed, 2021; Khodadadi & Mazaheri Kouhestani, 2020).

The legal foundations of termination in various legal systems, particularly in Iran and Iraq, are based on similar principles, although differences exist in their implementation and interpretation. In Iranian law, termination is regarded as one of the primary methods for contract dissolution and is widely applied, especially in commercial and civil contracts. This type of termination in Iranian law is primarily derived from Islamic jurisprudence and general principles of civil law, which are specifically designed to protect the rights of contracting parties and prevent potential harm. Similarly, in Iraqi law, contract termination is influenced by the French civil law system, and many of its principles and rules are similar to those in Iran, particularly concerning issues such as lack of capacity and non-performance of obligations. However, the Iraqi legal system, based on its unique framework, introduces specific characteristics for contract termination that distinguish it from Iranian law (Kaviani, 2012; Mahmoudi, 2016).

Overall, contract termination is one of the fundamental tools in civil law that is employed across various legal systems to resolve disputes and establish balance between contracting parties. The differences and similarities in this legal mechanism across different legal systems can significantly impact the commercial and social relationships of the contracting parties. Understanding the conditions and provisions of contract termination in different legal systems, particularly in Iran and Iraq, can greatly assist the parties in making informed decisions in their commercial transactions and contract management.

3. Analysis of Contract Termination in Iranian Law

Contract termination in Iranian law plays a significant role in commercial and legal relations as one of the primary methods of contract dissolution. This concept is specifically provided for in the Iranian Civil Code, with its conditions influenced by the general principles of civil law and Islamic jurisprudence. Contract termination generally refers to the automatic conclusion of a contract without requiring any specific action by the parties. This occurs when specific legal or contractual conditions arise that render the execution of the contract impossible or unfair. Termination is addressed in various provisions of

the Iranian Civil Code, particularly Article 267, which generally provides for contract termination in the event of specific circumstances such as lack of legal capacity, changes in conditions, the death of a party, or breach of obligations.

Article 267 of the Iranian Civil Code states that "if an obligation is discharged due to conditions stipulated in the law, the effect of termination applies to contracts." This provision explicitly indicates that termination occurs automatically when specific conditions render the contract null and void. These conditions include the lack of legal capacity of one of the parties, the death or incapacity of the parties, and unforeseeable changes in economic conditions. In Iranian law, contract termination is particularly relevant in cases where continuing the contract becomes impossible or unfair (Khodadadi & Mazaheri Kouhestani, 2020).

Different types of contract termination in Iranian law can generally be categorized into three main types: legal termination, contractual termination, and termination due to breach of obligations. Legal termination, as its name suggests, occurs automatically based on provisions stipulated in the Civil Code. For instance, if one of the contracting parties lacks legal capacity or in the event of death or incapacity, the contract is automatically terminated. Article 219 of the Iranian Civil Code states that "contracts concluded with individuals lacking legal capacity are legally terminated." This type of termination is particularly significant when one of the parties is legally incapable of fulfilling their obligations. Similarly, Article 221 states that in the event of the death or incapacity of one of the parties, the contract is automatically terminated unless specific provisions allow its continuation (Mohammadi & Kadivar, 2016; Safizadeh, 2022; Shafiee, 2018).

Contractual termination arises when the parties mutually agree to terminate the contract based on their consent. This type of termination is typically employed in cases where specific or unforeseen circumstances arise, or when the parties wish to end their contractual relationship due to changes in economic conditions or failure to achieve the contract's objectives. Article 233 of the Iranian Civil Code explicitly states that parties can stipulate specific conditions for contract termination. For example, if one party is unable to fulfill their obligations due to the reasons mentioned in the contract,

the contract will automatically be terminated (Abdullah, 2017; Mir Abbasi, 1998).

The third type of termination is termination due to breach of obligations. In this case, if one party fails to fulfill their obligations to an extent that continuing the contract becomes impossible or unfair, the other party has the right to terminate the contract. Article 251 of the Iranian Civil Code specifically states that "if one of the parties fails to fulfill their obligations, the other party may, after serving notice and within a specified period, take action to terminate the contract by legal decree." This provision is particularly important in commercial and sales contracts, where compliance with deadlines and conditions is crucial. In financial contracts, if one party fails to meet their obligations, the other party may exercise their right to terminate the contract (Kaviani, 2012; Khodadadi & Mazaheri Kouhestani, 2020; Mahmoudi, 2016).

The conditions and provisions for contract termination in Iranian law, similar to other civil law systems, are based on Islamic jurisprudence and general legal principles. One of the primary conditions for contract termination in Iranian law is the non-performance of obligations by one of the parties. If one party fails to fulfill their obligations, the other party can legally request termination. This condition is set forth in Article 251 of the Iranian Civil Code and is particularly significant in contracts with financial and time-sensitive aspects. Additionally, changes in economic conditions and force majeure events can also result in contract termination. Article 228 of the Iranian Civil Code specifically mentions situations where unforeseeable changes in economic conditions can lead to contract termination. These conditions are particularly important in long-term contracts or contracts influenced by market conditions (Pourafshar et al., 2021; Rahbar et al., 2021; Safizadeh, 2022).

The role of the parties in contract termination in Iranian law is crucial. If termination occurs automatically due to legal or contractual conditions, the parties have no influence over the process. However, in cases where termination results from a breach of obligations or changes in economic conditions, the parties can exercise their right to terminate the contract. In this type of termination, the party seeking termination must adhere to legal conditions and issue prior notices to the other party. These notices provide the other party with an

opportunity to rectify the conditions or fulfill their obligations within a specified timeframe. If the other party fails to do so within the given period, the initiating party can officially terminate the contract (Abdullah, 2017; Mir Abbasi, 1998).

The legal and financial consequences of contract termination in Iranian law can be extensive. One of the most significant legal effects is the restoration of the parties to their pre-contractual state. In other words, upon termination, each party must return to their previous position and return any obligations or transferred assets. Furthermore, contract termination may result in claims for damages arising from non-performance of obligations. If one party is responsible for the termination due to their breach of obligations, the other party may claim damages resulting from this breach. These damages can include direct and indirect costs resulting from termination, such as expenses incurred to mitigate economic or commercial disruptions (Shafiee, 2018).

Ultimately, contract termination in Iranian law serves as an essential legal tool for protecting the rights of the contracting parties and preventing legal and economic complications. This mechanism allows the parties to withdraw from unenforceable or unfair contracts in the event of specific circumstances, thereby automatically ending contractual relationships. The legal and contractual conditions for termination in Iranian law are precisely and comprehensively defined to prevent the infringement of the parties' rights, which is especially important in commercial and financial sectors.

4. Analysis of Contract Termination in Iraqi Law

Contract termination in the Iraqi legal system serves as a legal tool for ending contracts and maintaining balance between the parties. This concept in Iraqi law is influenced by French civil law and general principles of contract law and is specifically addressed in various articles of the Iraqi Civil Code, including Articles 173 to 180. According to these provisions, termination refers to the automatic conclusion of a contract without requiring any specific action by the parties. In essence, termination occurs when specific conditions stipulated in the contract or law are fulfilled, leading to the automatic dissolution of the contract. This process, similar to what is observed in Iranian law, applies in cases such as non-performance of obligations or non-payment of the

purchase price, occurring automatically without the need for the parties' consent (Abdullah, 2017; Al-karawi, 2018).

In Iraqi civil law, termination is comprehensively regulated within Articles 173 to 180. Article 173 explicitly states that each party to the contract has the right to terminate the contract if the other party fails to fulfill their obligations. This type of termination is particularly relevant in contracts that encounter issues due to non-performance of financial or time-related obligations. For example, if the buyer fails to pay the purchase price on time, the seller may automatically terminate the contract. In this regard, Article 178 further specifies that if one party fails to pay the purchase price or fulfill their financial obligations, the other party may request contract termination (Kaviani, 2012; Mahmoudi, 2016). This provision plays a crucial role in commercial contracts, where financial and temporal considerations are of significant importance.

Termination in Iraqi law is not limited to the non-payment of goods or services and may also occur for other reasons. One of the most significant grounds for termination in this legal system is the loss of the contract's subject matter. Article 145 of the Iraqi Civil Code states that if the subject matter of the contract is completely lost and its performance becomes impossible, the contract will automatically terminate. This situation may arise in cases of force majeure or unforeseen events such as floods, earthquakes, or wars, which render the contract's performance impossible or unfair. This type of termination is comparable to the concept of force majeure recognized in many other legal systems, including Iranian law, especially when contractual obligations become difficult or impossible to fulfill due to unpredictable circumstances (Abdullah, 2017; Al-karawi, 2018).

Another form of termination in Iraqi law is termination due to a breach of the other party's rights. This type of termination occurs when one party fundamentally violates the rights of the other party. For example, if one party intentionally breaches their obligations in a way that makes the continuation of the contract impossible, the other party may request termination. This type of termination is commonly applied in commercial and construction contracts, where trust and good faith are critical factors. In such cases, courts usually decide on termination based on the severity of the breach.

According to Article 282 of the Iraqi Civil Code, if one party violates the rights of the other, the aggrieved party has the right to terminate the contract (Mohammadi & Kadivar, 2016).

The conditions and provisions for contract termination in Iraqi law are clearly outlined in the country's civil code. One of the most significant grounds for contract termination in Iraqi law is the non-performance of obligations by one of the parties. If a party fundamentally fails to fulfill their obligations, the other party may, under Article 150 of the Iraqi Civil Code, request contract termination. This type of termination is particularly applicable when a party is unable to meet their obligations due to financial or operational challenges. Additionally, Article 179 explicitly states that if a party intends to exercise their right to terminate, they must first notify the other party and provide them with a reasonable opportunity to fulfill their obligations. This process, similar to Iranian law, allows the parties to remedy their failures before termination occurs (Kaviani, 2012; Mahmoudi, 2016).

In Iraqi law, the intention of the parties plays a crucial role in the termination process. When termination occurs automatically due to legal or contractual conditions, the parties have no influence over the process. However, in cases of termination due to non-performance of obligations, the initiating party (who requests termination) must comply with legal requirements and provide the other party with adequate time to rectify the situation. This aspect is particularly important in commercial transactions, as the parties must have clear and precise knowledge of the breach of obligations and the contract's status to avoid potential legal and financial disputes (Abed, 2021; Khodadadi & Mazaheri Kouhestani, 2020).

The role of party autonomy in contract termination in Iraqi law is especially significant when the termination is contractual. The parties may mutually agree on termination based on the terms stipulated in the contract. This type of termination is common in long-term commercial contracts, where the parties, considering changing economic or social conditions, decide that continuing the contract is no longer in their best interest. In such cases, the parties must reach a written and clear agreement to ensure the availability of documentary evidence in the event of disputes regarding termination (Abdullah, 2017; Al-karawi, 2018).

The legal and financial consequences of contract termination in Iraqi law can be extensive. One of the most significant legal effects is the restoration of the parties to their pre-contractual status. In other words, upon termination, each party must revert to their original position and return any transferred obligations or assets. This is similar to the effects of termination in other legal systems, where the parties are generally required to compensate for any damages arising from non-performance or breach of contract. Moreover, the aggrieved party may have the right to claim damages, which may include direct and indirect costs resulting from the breach of obligations (Pourafshar et al., 2021; Rahbar et al., 2021; Safizadeh, 2022; Shafiee, 2018).

In conclusion, contract termination in Iraqi law serves as a legal instrument for regulating contractual relationships and resolving disputes between the parties. This mechanism is particularly effective in commercial contracts where timing and performance conditions are crucial for protecting the parties' rights and preventing potential losses. Given the specific conditions and legal provisions in Iraqi law, parties must exercise great caution in drafting contracts and anticipating termination clauses to avoid disputes and conflicts.

5. Comparison of Contract Termination in Iranian and Iraqi Law

Contract termination is one of the key concepts in contract law that has been extensively examined in various legal systems, particularly in Iranian and Iraqi law. This concept is especially significant in cases where specific conditions stipulated in contracts or laws lead to their termination. In both legal systems, contract termination is considered a tool for ending contracts and protecting the rights of the parties when special circumstances arise. However, there are differences in the laws and judicial practices of both countries regarding the implementation and conditions of this process. This article compares the concepts, provisions, and conditions of contract termination in Iranian and Iraqi law, analyzing the existing similarities and differences.

In both Iranian and Iraqi legal systems, termination is recognized as one of the methods of contract dissolution. This legal mechanism is particularly relevant when the continuation of the contract becomes impossible or

unfair due to specific or unforeseen circumstances. In Iranian law, termination is primarily addressed in Articles 267 to 251 of the Civil Code, which covers legal termination, contractual termination, and termination due to non-performance of obligations. Similar provisions exist in Iraqi law under Articles 173 to 180 of the Iraqi Civil Code. However, significant differences exist in the conditions and provisions of termination in both systems. For instance, in Iranian law, termination automatically occurs if one of the parties lacks legal capacity or dies. In contrast, Iraqi law also provides for termination under conditions such as the loss of the contract's subject matter and non-payment of the purchase price (Abdullah, 2017; Al-karawi, 2018).

One of the major differences between Iranian and Iraqi law is the approach to legal termination. In Iranian law, legal termination occurs when specific conditions such as lack of legal capacity, changes in circumstances, or the death of the parties are met. Article 219 of the Iranian Civil Code explicitly states that contracts concluded with individuals lacking legal capacity are legally terminated. Additionally, Article 221 stipulates that in the event of death or incapacity of one of the parties, the contract will automatically terminate unless it is possible to continue. While the Iraqi legal system has similar provisions, differences exist in the structuring and clarity of these rules. For example, Article 145 of the Iraqi Civil Code specifically states that if the subject matter of the contract is destroyed, the contract will automatically terminate. This provision is similar to force majeure conditions in many legal systems, which render contractual obligations impossible due to unforeseen events. These differences in legislative structure create practical variations in the enforcement of termination in both countries (Mohammadi & Kadivar, 2016).

Regarding termination due to breach of obligations, there are notable differences in the legal frameworks and judicial practices of the two countries. In Iranian law, termination due to breach of obligations is governed by Article 251 of the Civil Code, which provides that if one party fails to fulfill their obligations, the other party may, after issuing a formal notice and within a specified period, terminate the contract. This type of termination is widely used in commercial and financial contracts, where parties must perform their obligations timely and completely. Similarly, Iraqi law addresses non-performance under Article 150 of the Civil Code, which

explicitly states that in the event of a fundamental breach by one party, the other party may request termination. However, a significant difference lies in the requirement for prior notice. In Iraqi law, pursuant to Article 179, the party seeking termination must notify the other party and provide them with a reasonable opportunity to fulfill their obligations. In contrast, Iranian law allows for automatic termination in certain cases without requiring notice unless specified otherwise (Kaviani, 2012; Mahmoudi, 2016).

Regarding the effects of contract termination, both Iranian and Iraqi legal systems share similarities, particularly concerning the restoration of the parties to their pre-contractual status. In Iranian law, under Article 267 of the Civil Code, after termination, the parties must return to their previous state and restore any obligations and transferred assets. This process is particularly important in financial and commercial contracts, as the parties must fully return any payments made or goods exchanged. A similar provision is found in Article 134 of the Iraqi Civil Code, which mandates that after contract termination, the parties must revert to their original positions. Additionally, in both legal systems, the aggrieved party may seek compensation for damages resulting from termination. Such compensation may include direct and indirect costs arising from non-performance. In Iranian law, such claims are typically pursued through the courts based on general civil law principles, while in Iraqi law, courts adjudicate damages based on various civil code provisions (Pourafshar et al., 2021; Rahbar et al., 2021; Safizadeh, 2022; Shafiee, 2018).

The role of the parties in contract termination is crucial in both jurisdictions. In Iranian law, if termination is based on mutual agreement, the parties can stipulate specific conditions for termination. These conditions may include changes in economic circumstances or failure to achieve the contract's objectives. Similarly, in Iraqi law, the parties may mutually agree to terminate the contract based on predetermined conditions. However, there are notable differences in the implementation and transparency of this process in both countries. In Iranian law, parties can incorporate termination clauses in the contract through mutual agreement, whereas in Iraqi law, such provisions are typically subject to more specific legal conditions and regulations. Nevertheless, in both systems, the parties'

intentions play a crucial role in contractual termination and can significantly impact their commercial and economic relationships (Abed, 2021; Khodadadi & Mazaheri Kouhestani, 2020).

In conclusion, the differences and similarities in contract termination in Iranian and Iraqi law—particularly regarding the conditions for termination, the role of the parties, and its consequences—significantly affect the commercial and legal relationships of the parties. While both systems aim to protect the parties' rights and prevent the loss of their interests, the implementation of these rules, particularly regarding notification requirements and opportunities for performance correction, presents notable distinctions. These differences could have a significant impact on international trade and more complex contractual agreements between the two countries.

6. Challenges and Issues in Contract Termination

Contract termination, as a legal tool for ending contracts, is recognized in many legal systems, including those of Iran and Iraq. Despite its importance and necessity in resolving contractual disputes, both countries face various challenges and issues regarding its implementation. These challenges are not limited to legal and judicial aspects but also extend to economic dimensions, as contract termination can significantly impact financial and commercial relations. This section examines the existing challenges in the contract termination process, including legal, judicial, and economic issues, and proposes solutions to improve the process.

One of the main legal challenges in the contract termination process is the lack of clear regulations and diverse interpretations, which lead to enforcement difficulties. In Iranian law, especially in cases where the parties have not explicitly agreed on the terms and conditions of termination, this ambiguity can result in serious disputes. For example, in many instances where the parties seek termination due to economic changes or force majeure events, the relevant provisions in the Iranian Civil Code do not provide a uniform and clear interpretation. This lack of clarity can create challenges for the parties in proving the occurrence of termination conditions, ultimately leading to inconsistent judicial decisions (Khodadadi & Mazaheri Kouhestani, 2020).

A similar issue exists in the Iraqi legal system. In cases where the parties have not explicitly agreed on the conditions and terms of termination, the lack of a clear legal framework can complicate the enforcement process. This issue is particularly problematic when obligations are partially unfulfilled. In many commercial contracts, the precise and clear interpretation of conditions that may lead to contract termination is not explicitly defined in the legal provisions. For instance, if a party fails to fulfill part of their obligations, the determination of whether this failure justifies contract termination depends on judicial interpretation, which can vary across cases (Abdullah, 2017; Al-karawi, 2018). Another challenge observed in the contract termination process is the lack of uniform judicial precedents in interpreting and enforcing termination-related provisions. In Iranian law, despite statutory provisions, courts often reach different conclusions based on varying interpretations of legal articles. This issue is particularly prevalent in cases involving force majeure conditions or unforeseen economic changes. Courts often decide based on the nature of the contract, the obligations involved, and specific circumstances, leading to inconsistencies in the enforcement of contract termination (Abdullah, 2017; Mir Abbasi, 1998).

In Iraqi law, judicial decisions are often based on judges' interpretations of legal principles and precedents, which can lead to varying judgments regarding contract termination. For example, in some cases, despite the clear statutory provisions regarding termination, judges may consider additional informal factors prevalent in the commercial community. This practice can create complexities in dispute resolution and introduce uncertainty into commercial relationships (Abed, 2021; Khodadadi & Mazaheri Kouhestani, 2020).

Economic challenges related to contract termination are also significant in both countries, particularly in the commercial and financial sectors. One of the primary economic issues is the negative impact on the parties involved. Specifically, when one party decides to terminate the contract, it can directly affect commercial relationships, investments, and financial credibility. In long-term commercial contracts, where financial and time-based obligations are substantial, termination can lead to financial losses, dissatisfaction among business partners, and a decline in public trust in the company or individual. These negative effects can also extend to

broader commercial and economic markets in both countries. For example, if a commercial contract between two major companies in Iran or Iraq is terminated, it may result in reduced confidence from other business partners and a slowdown in economic activities (Pourafshar et al., 2021; Rahbar et al., 2021; Safizadeh, 2022; Shafiee, 2018).

Furthermore, the negative impact of contract termination can create financial difficulties for the parties, particularly in the context of compensation claims. Typically, if a contract is terminated due to a breach of obligations or unforeseen circumstances, the non-breaching party may claim economic damages arising from the termination. This is especially relevant in contracts with substantial financial commitments and ongoing investments, where the breaching party may face increased legal and financial costs (Mohammadi & Kadivar, 2016).

To address these challenges and improve the contract termination process, legal reforms and procedural changes are necessary in both countries. In Iranian law, one of the primary recommendations is the establishment of clearer regulations regarding force majeure and economic changes. Such reforms would be particularly beneficial for long-term and commercial contracts and could prevent disputes arising from differing interpretations. Additionally, it is recommended that the Iranian Civil Code incorporate specific provisions for defining the conditions and formalities of contract termination to ensure that parties are clearly aware of their rights and can prevent enforcement challenges (Khodadadi & Mazaheri Kouhestani, 2020).

In Iraqi law, one of the proposed solutions is to enhance clarity in interpreting legal provisions and establish consistent judicial precedents. This can be achieved by developing judicial guidelines and directives for interpreting termination-related provisions. Establishing a specialized judicial committee or legal advisors within the courts could help clarify the termination process and prevent contradictions in judicial decisions. Additionally, in Iraqi law, introducing specific regulations to mitigate the negative economic effects of contract termination—especially in commercial contracts—could help maintain business credibility and economic relations between the parties (Abdullah, 2017; Al-karawi, 2018).

Ultimately, considering the existing challenges in the contract termination process, it is recommended that legal reforms be implemented in both countries to ensure that contract termination conditions are more clearly and legally regulated. Such reforms would help prevent the negative economic and legal consequences associated with contract termination.

7. Conclusion

Contract termination, as one of the fundamental legal tools in contract law, plays a crucial role in maintaining justice and balance between contracting parties. This legal mechanism becomes particularly relevant when continuing the contract becomes impossible or unfair due to specific circumstances, allowing the parties to be released from their obligations and revert to their pre-contractual status. Based on the analysis of contract termination in Iranian and Iraqi law, it can be concluded that both legal systems generally utilize termination as a means to conclude contracts; however, there are significant differences in their implementation.

In Iranian law, termination is primarily stipulated for specific conditions such as lack of legal capacity, the death of a party, or changes in economic conditions, and it typically occurs automatically without the need for any action by the parties. In contrast, Iraqi law includes additional grounds for termination, such as the loss of the contract's subject matter or non-payment of the purchase price. Furthermore, differences exist in the enforcement of termination due to breaches of obligations and specific contractual conditions, which can influence the interpretation and execution of termination in each legal system.

Regarding the economic and legal challenges arising from contract termination, both countries face similar issues. The absence of clear regulations and varying interpretations related to termination conditions can lead to disputes and enforcement complexities. Additionally, the negative economic impacts of contract termination—particularly in commercial relationships and economic markets—can affect the credibility and commercial reputation of the parties involved. Therefore, legal reforms and the establishment of a unified and transparent judicial practice can help address these challenges.

Ultimately, given the importance of contract termination in protecting the rights of the parties and preventing the

loss of their interests, it is essential for both Iran and Iraq to implement necessary legal and judicial reforms. These reforms should include more precise provisions for termination, enhancing transparency in the interpretation of laws, and establishing clear guidelines for courts to prevent legal and economic complications, ensuring that the termination process is implemented more efficiently and fairly.

Authors' Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

Acknowledgments

We would like to express our gratitude to all individuals helped us to do the project.

Declaration of Interest

The authors report no conflict of interest.

Funding

According to the authors, this article has no financial support.

Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

References

- Abdullah, A. (2017). *Legal Analysis of Oil Contracts in Iran: A Study of Mining Laws*. Parseh Publishing.
- Abed, R. F. (2021). Terms of Reference of the Iraqi Commercial Court. *Akkad Journal of Law and Public Policy*, 1(1), 16-23. <https://doi.org/10.55202/ajlpp.v1i1.63>
- Al-karawi, S. N. (2018). Challenges Facing Construction Contracts in Iraq. *Journal of Engineering and Sustainable Development*, 2018(04), 192-201. <https://doi.org/10.31272/jeasd.2018.4.14>

- Kaviani, A. (2012). *Limitations of Contractual Freedom in Iranian Law* Master's Thesis in Private Law, Shahid Beheshti University Law School].
- Khodadadi, H., & Mazaheri Kouhestani, R. (2020). Comparative Analysis of the Role of Consideration and Common Trust in Contractual Obligations in Iranian and English Law. *Comparative Law Studies*.
- Mahmoudi, S. F. (2016). The Position of Specific Options in Sales Contracts in Iranian Civil Law. *Journal of Law and Jurisprudence Studies in Political Science*, 2(2), 88-96.
- Mir Abbasi, S. B. (1998). The Issue of International Contracts under Articles 77 and 139 of the Constitution of the Islamic Republic of Iran. *Journal of Law and Political Science Faculty*(42).
- Mohammadi, S., & Kadivar, H. (2016). Efficient Breach of Contract in Iranian Law. *Private Law*, 13(2), 101-124.
- Pourafshar, O., Barmayehvar, B., Esmailabadi, R., & Asnaashari, E. (2021). Contract Risk Analysis in Transportation Infrastructure Projects Based on Public-Private Partnership (PPP) Method. *Civil Infrastructure Researches*, 7(1), 189-210. <https://doi.org/10.22091/cer.2021.7374.1299>
- Rahbar, M., dashab, m., ameri, f., & emami meibodi, a. (2021). Classification and Identifying the optimal contract structure for Iranian gas export projects via LNG using theELECTRE-TRI technique□. *new economy and trad*, 16(2), 87-118. <https://doi.org/10.30465/jnet.2021.7408>
- Safizadeh, S. (2022). The Role of Registration in Contractual Transfer of Immovable Property in Iran: A Comparative Study with English, Swiss, and French Law. *Judiciary Legal Journal*(118).
- Shafiee, K. (2018). Technopolitics of a Concessionary Contract: How International Law Was Transformed by Its Encounter With Anglo-Iranian Oil. *International Journal Middle East Studies*, 50(4), 627-648. <https://doi.org/10.1017/s0020743818000909>