

Survey Of Foreign Direct Investment In Iran

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Abstract: Recent developments in the field economic and international trade have renewed interest in achieving to the economic goals in any country. One of these goals is foreign direct investment which requires financial resources for investing projects. The countries that do not have enough capital for its development projects is focused to use of foreign investment " transfer of funds and raw materials from one country to other country for utilize to establish economic corporation in latter country in lieu of direct or indirect participation in returning and revenue. The goal of this paper is present and focuses on basic concept, definition, general characteristics, classifications, structure, advantages, disadvantages, and stimulus of Foreign Direct Investment in Iran.

Index Terms: Foreign Direct Investment, Finance, Economic, Transfer, Fund, Capital, Revenue

1 INTRODUCTION

There are no country today that can reach its proper development without the active participation in international trade and the global economy so The challenge that now we are facing in our country as one of the developing countries is, how can we actively participate in these international activities. The important point is that attracting foreign direct investment and increasing volume and variety of exports and thus increase of export competitiveness, is not the ultimate goal itself but all of these are means of achieving a more important goal which is the development of our country. The policy of attracting investment capital should be towards attaching investments that are in line with the country's development strategy. It seems that the priority should be given to invest in sectors that have a comparative advantage. Entry of technology and development of new projects in the industry, have economic advantages. Currently the most active sectors for investments with relative advantages are: information technology sector, petrochemicals, energy, water, agriculture (especially agricultural exports) and tourism sectors.

2 GENERAL CHARACTERISTICS

The Government of the Islamic Republic of Iran welcomes foreign Investments of either legal or real foreign persons, in all fields of economic activities. According to article (1) of Foreign Investment Promotion and Protection Act, foreign investors have been defined as foreign real and legal persons as well as Iranian citizens and companies both inside and outside of Iran. Foreign investors by importing foreign investment which has been defined very broadly and can be cash or non-cash, machinery and equipment, raw materials, spare parts, professional services and moral rights to invest in industry, mining, agriculture or services, these investors are eligible to benefit from facilities and advantages provided by law.

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The advantages and facilities shall be granted to investors that obtain investment license. Generally, FDI is open to all investors, but the facilities and benefits shall be granted only to those investors, seeking protection coverage of the foreign investment promotion and protection act and for this purpose they present their request to the Investments Organization which is responsible for receiving requests, issuing of investment license and protection of the interests of foreign investors throughout their activity, regardless of the type and lowness of their investment. All rights and interests of foreign investors is recognized by The Foreign Investment Promotion and Protection Act, and will be protected against non-commercial risks, In addition to it this Act, the current government of Iran is commitment and responsible not only to facilitate a full and fair return of investment but also for those of his actions which led to the expropriation or interrupting the activities of foreign investors. It should be noted that according to the act encouraged there is not any legal restrictions on foreign investment in terms of types, methods, amount of investment, and the share of gains and return of gain or internal relations between the partners of the investment.

3 CLASSIFICATIONS

Based on Act, foreign investment has been classified into two general methods as follows:

- A. Legal contribution (direct investment): it means share investment of foreign investors in an Iranian company, whether new or existing. The amount of the stock of foreign investor is not subject to such restrictions and the investor based on the investment ratio, or the share in the company, can be found in the management and administration of its affairs.
- B. Contractual arrangements: the set of ways in which use of foreign investment is only subject to agreements between the parties. Foreign investment can be made in all sectors in the framework of contractual arrangements.

4 ADVANTAGES

Rights that are awarded to foreign investors, according to the aforementioned law, include:

- Transfer of profits and interests to foreign currency
- Receive compensation resulting from expropriation and nationalization of foreign investment;
- Receive compensation due to laws or regulations that prohibit or suspend the enforcement of financial contracts to Foreign Investors;
- The right to equal treatment to domestic investors.

Other facilities and benefits contained in the Foreign Investment Law and its bylaws are as follows:

- Conversion and transfer of funds from various contracts of foreign investment and transfer of technology to foreign currency;
- Conversion and Transfer of original and interest of financial facilities related to foreign investments;
- Referral of investment disputes to the international arbitration courts;
- Use of foreign experts for investment projects;
- Export without giving a commitment to return of gained interest to the country;
- Maintaining the currency of export outside the country;
- Direct access and the possibility of exchange of currency earned from the export from trusted bank accounts abroad;
- Lack of regulations including pricing, distribution, non-manufacturing and manufacturing requirements.

In the investment licenses, field of investment and foreign partners, kind of investment, and number of foreign investors, lowness of transfer of profits and benefits, percentage of contribution and other terms and conditions related to the investment plan will be mentioned. If a foreign investor after the specified period of time that is identified by Foreign Investment Board is determined according to the requirements of the plan of investment does not enter appropriate amount of investment to the country, the investment license will be revoked. Opening bank accounts outside of Iran for export earnings of foreign investments is allowed, and the purpose is direct access of investors to the foreign exchange earned from exports to receive dividends and other payments that should be done to him. There is any obligation to return of the exchange from exports and currency is given to exporter to use in any way that he wants.

5 DISADVANTAGES

According to the views of experts the effects of FDI, especially in developing countries can be positive or negative. From a negative point of view, the rob of natural resources, control of the domestic market, dependence on foreign economies, facilitating the ability of foreign exchange that could lead to capital flight from the country, can be noticed. But for countries facing severe financial problems that influence the rest of society, it seems that FDI benefits far outweigh the disadvantages. FDI process in Iran's Islamic Revolution and war went from U.S. \$ 6 billion in 1357 to \$ 2 billion in 1360 and in the 60's it was even negative. With the development of trade relationships between countries and Iran and the political situation in Iran, FDI is increased, mainly in the oil sector. According to the World Bank until 2001, the maximum FDI in Iran was less than \$ 50 million but then tremendous growth have seen in FDI, But between the years 2008-2006 we have seen a decline in FDI that has a direct relationship with sanctions and political tensions. In recent years we have witnessed a rising trend in FDI, mostly in oil, gas and petrochemical industries but in comparison to Malaysia and Turkey absorption of foreign investment are very weak.

6 STIMULUS

In All the theories and models of economic growth, investment has been seen as a has been strong driving factor in economic growth. Capital accumulation theoretically is one of the essential prerequisites for economic growth that can be financed from domestic and foreign financial resources. Today, many countries due to inadequate domestic resources for investment, inclined to absorb external resources, and among foreign resources, foreign direct investment have paid a lot of attention because it is one of the methods that gives access to technology, capital and economic growth.

	2004	2005	2006	2007	2008	2009
Iran	1.8	1.6	0.7	0.6	0.5	0.9

Table.1 The table of index of FDI of Iran

Country Name	Size
Jordan	13.9
Lebanon	12.4
Georgia	11.2
Kazakhstan	9.2
Bahrain	8.8
Tajikistan	7.5
Armenia	7.2
Azerbaijan	6.3
Egypt	5.9
Kyrgyz Republic	5.9
Ave region	5.9
Palestine	4.9
Oman	4.4
Saudi Arabia	4.4
Afghanistan	2.8
Yemen	2.6
Pakistan	2.5
Turkey	2.3
Syria Arab	2.2
Uzbekistan	2
Iraq	1.5
Iran	1
Kuwait	0.1

Table.2 A comparative study of the role of Iran in region's countries in FDI

Conclusion

In general, the possibility of Foreign Direct Investment in different countries, with one or more factors of economic stimulus, financial, technical aid, and policy supports to take the company to invest in a particular project in one country would not be sufficient. But, assessment all of the factors leading to the decision to invest in a set or not invest, however Iran for increasingly attracting foreign direct investment, must provide requirements such as convenient in transaction of funds with other countries around the world, reasonable taxes, and.

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