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Review article

Iran's accession to the WTO, the basis for sustainable economic development

A.B. Doagoo^{a,*}, M. Saeidi^b

Department of International Relation, Qom Science and Research Branch of the Islamic Azad University, Qom, Iran.

Department of International Relation, Tehran Science and Research Branch of the Islamic Azad University, TEHRAN, Iran.

*Corresponding author; MA student of International Relations, Faculty of Human Sciences, Islamic Azad University, Science and Research, Qom, IRAN.

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ABSTRACT

Globalization of economics is a powerful aspect of globalization. When a national economy interact with the Global Financial Institutions, especially the World Trade Organization (a pioneer in the field of International Financial Institutions), some factors affect the economic development of that country more than any other time. According to the general agreement on initial request of Iran for membership in WTO, it is important to consider the consequences of economic security through a careful consideration of the effects of the factors on economic security. Also it is necessary for politicians to know how to deal with the issues prudently to protect the national interests. These points are essential because Iran has no previous experience in the WTO trading system and any misunderstanding of Macroeconomics' effect, can cause problems in Iran's economic system. Since the slightest mistake in decision making could endanger economic and welfare security, Iran should gain a full understanding of the impacts of globalization and has good management in the global economy. To avoid making a hasty decision, it is essential to consider any threat against Iran and then to find strategies to substitute oil-based economy with non-oil based economy like carpets,

saffron, etc. Therefore, Iran can take benefits of joining to the organization in order to achieve a dynamic and sustainable development in the country's economy.

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1. Introduction

WTO member are 159 countries now that have more than 97 percent of world trade and almost all the world trade are under the responsibility of Organization's members and have been obeyed their rules and regulations. Members of the organization don't want to have relation lower than the rules of the organization even with the Member States. Regarding the large number of WTO members, it must be noted that this organization has become a norm in international trade, and other countries that are members of these organizations or are not, have no choice unless following international norms so not joined to the organization means international isolation of countries from economic rules.

This isolationism cause serious damage to their developing economies. So, Membership in this organization is inevitable necessity for economic survival of countries. In this case, you need to observe what impact the economies of developing countries that have a higher degree of vulnerability by joining to this organization.

If we accept that economic globalization is increasing and no countries can in the dream of self-spent without continuous presence in international markets and time of economic isolation has passed. Now, Iran by which long-term plan can have a continuous presence in the international markets and in fact the author of this study sought to answer this question that how can be used join Iran to the WTO as a basis for sustainable economic development?

In possible answer to this question, it seems because the issue of Iran's membership in the WTO is inevitable, however, due to the constraints and structural problems of the economy, it is appropriate to make agenda of macroeconomic management. In other word, how can be membership is so important issue and Iran is in a position that its' prospect of oil revenues (Which was as a major source of government revenue and provided import requirements of the country's in decades ago) isn't hopeful and it is necessary to have serious effort on extending the development of foreign exchange earnings through nonoil exports.

On the other hand it must be admitted that the relationships in the world economy are based on unequal relations and the country that has stronger economic will be enjoyed an increasing share of "commercial Cake"., So close to the heart of the development of trade and industry through membership in the channel is a big mistake the consequences of this error are not hidden on the overall population. The removal of this organization, in practice, means depriving yourself of some facilities and low tariff rates in other countries. In turn, other countries allow to invading our current benefits by accessing appropriate scale of production.

"GATT" and the WTO is a double-edged sword, to the extent that countries are able to participate in the global economy and promote the capabilities and features of their business with proper understanding of the mechanisms of global economic relations and opportunities, so, they can take advantage. Therefore contrary to the views that "GATT is considered merely a means to expand exports, it should be consider that this phenomenon is a new game system of international trade rules, and it must be identify the correct application (Hakimian, 1997).

About Iran and the World Trade Organization, each authors and experts in their books and articles have addressed this issue from a particular perspective: For example, the authors of WTO accession (important prerequisite for economic reform) (Bidabad, 2003) believe that the legal basis should be consider by the revised rules, such as constitutions, labor, trade, foreign investment, insurance, banking, customs, taxes, and their implementing rules and regulations of the World Trade Organization in Iran's joining the WTO.

This authors investigated the joining Iran to the WTO in terms of changes to the constitution in line with the WTO . Also in one article entitled, The estimation of great effects of Iran's accession to WTO by using a computable general equilibrium model (Mojaver Hosseini, 2004) the author is trying to investigate Iran's accession to the WTO, with qualitative method and believes that the emphasis of Iran on oil revenues causes Iran's non-oil exports have been threatening and Iran observes stagnant in non-oil exports ,so it should not expect miracles for the Iranian economy by joining the WTO . Since Iran's accession to the WTO necessarily will be lead to changes in various aspects of the economic approach to policy making, planning and economic management. ,by changing trends, strategic priorities change in terms of both policy and administrative and demand to adapt to the new situation. By Joining the WTO, economic security challenges around the world, and the Islamic Republic of Iran is on the verge of joining the organization, So how to increase economic and Iran in line with the global system are the main objective of this article.

2. Historical review

After the first world war, world leader seek in building foundation to prevent such events in the future grinding. . In this way in the political arena, the League of Nations was established as an international organization. Efforts began in the field of Commercial and economical .Ofcourse , the subsequent course of events as the Great Depression, World War II began in early 1930 and subsequently became an obstacle to the fruition of these efforts. After the end of World War II , renewed international efforts, once again the commercial arena as well as political and financial efforts was to establish appropriate structures to prevent the conflicts of political and business.

In 1946, upon the proposal of the United States Conference of 1945, consisting of country representatives developed to discuss the problems relating to the prohibition of quantitative restrictions, reduction of customs duties and general practical commercial establishment of an international organization.

Although the days of the conference, which was held on 18 October to 26 November 1946 due to disagreements of participating countries did not achieve a certain result, but this is the ground to follow for the establishment of a multilateral trading system. This newly established organization within the United Nations, later followed by a selection committee composed of representatives of several countries in the United Nations Economic and Social Council they commissioned the preparation Conference on International Trade.WTO draft Charter that was prepared by the committee ultimately were submitted in Havana Conference of 1948 in the Cuban capital. (November 21, 1947 to March 24, 1948) that representatives from 56 countries were attended .There was a lot of discussion in this conference about the draft and because of opposition from developing countries with the WTO charter , a contract for 34 of the 30 October 1947 was signed by 23 countries that were mainly developed countries. This is General Agreement on Tariffs and Trade or GATT agreement (Pace, Kelly, 2006).

Although the GATT was considered as one of the specialized agencies affiliated to the United Nations, but this was due to a pragmatic attitude, or the institution as an international organization without any legal bases. International law did not recognize it as an organization and this organization to be able to cope with the problems of instability new business should be more justice and powerful. When GATT is considered as General Agreement about negotiation ,it doesn't have mechanism for authoritative and accurate resolving disputes .

Thus ,in the Round Uruguay, GATT members began their activities to form the World Trade Organization officially. The organization's headquarters is located in Geneva in Switzerland that has 159 members to March, 2013. WTO is part of the Previous agreement GATT but its authorities has been developed and composed of agriculture, services and intellectual property (Moosazadeh 2003,).

3. History of iran's efforts to join the world trade organization

Due to the globalization process and due process associated with this process is to be successful for both the economy and the overall objectives of the Islamic Republic of Iran and related documents (that is most important is the country's twenty-year outlook) the need of Iran to join the Expert surveys

conducted by the organization has been confirmed and our country wants to accession to this organization .Over the past 10 years ,Iran presented its membership application for 21 times to the organization but each time was met with opposition from the United States (In WTO, each member has a veto right) Until the end of the application to join the WTO was accepted under certain conditions in the Twenty-second presentation at the UN General Assembly .

This event regardless of political debate and its linkage with the Iranian nuclear issue is a turning point for the economy. Finally, in June of 2003, this appeal was given positive response. and the process is under the forming the working group. Neighbors of Iran, North Africa and the Middle East, Far East Asia and also America will be the members of the Working Group World Trade Organization .The beginning of negotiation needs process and Member countries of the WTO that willing to negotiate with Iran and take commercial advantage from our country, should be register in working group gradually. Iran working group in the WTO will choose a president, but in fact it doesn't mean that negotiations starts, but what is now called the WTO working group is Iran's trade regime report.

After submitting the report, Iran's trade regime that including commercial laws and regulations of the country ,accession negotiations will start in the form of working groups. Regarding the experience of other countries ,it takes for nearly 10 years that is appropriate opportunity to prepare for necessary infrastructure for joining Iran to the organization (Rezaei, 2003).

4. WTO challenges for developing countries

Applicants for membership in the WTO hope to achieve greater political stability and economic development by integrating into the international trading system. But the study on WTO member countries' economic performance shows mixed results that have been achieved in these countries. Countries with weaker economic vigor, put the domestic industry in difficult situation by allowing to enter foreign firms. For example, the automotive industry in Morocco that has been the first members of the WTO, suffered considerable damage with the arrival of European cars. On the other hand, the China by evolution in support ive economic policies such as subsidies had a better experience that membership in the WTO. One of the main problems in WTO is not only stability foreign business , but also to stabilize trade policies within the countries.

Applicant countries that are member in WTO faced a lot of difficulties to adapt their domestic laws with rules of the organization and sometimes have to approve, modify and review thousands of the legal bill , For example, Beijing, despite changing nearly three thousand law, have several problems with the local authorities for the implementation of WTO obligations and are facing with numerous complaints from the other members., But from view of the founders and supporters at the World Trade Organization, the free exchange of goods and services in world economic growth of nations lead to improving people's lives, promoting democracy, and finally establish peace and stability.

Ofcourse WTO proponents emphasize that all commitment members of the law enforcement agency's to gradually improve their judicial system, rule of law and greater coordination with the international community . This in turn led to dictatorships and authoritarian towards socialization and they will have not only the economic but also the gate doors opened and the democratization of the political system itself . But look at the political system of so many member states that are not democratic indicates that Joining the World Trade Organization, or at least in the short term does not necessarily establish a full democracy in the country (Sabeti, 2003).

5. Opportunities, and possible consequences of Iran's accession to the WTO

Iran's joining the WTO as a basis for economic globalization and achieve sustainable economic development, will lead to opportunities for Iran which by proper understanding of the situation and proper planning can take advantage of this opportunity to promote the economy, including the possible opportunities that can be imagined for the economy, it can be mentioned the following items:

- 1- Stimulate foreign investment and greater economic security;
- 2 - Ineffective economic sanctions of foreign countries;
- 3 – Penetrate to international markets;

- 4- Increasing the role of political, economic and cultural in global arena;
- 5 - Control on products and commodities;
- 6 - Faster privatization process;
- 7- Increase in non-oil exports;
- 8 - Increasing competitiveness, and quality of domestic products and consumer welfare;
- 9 – Attracting the world of technology .
- 10 - Creating clarity and consistency in the rules and regulations of the country;
- 11 - It causes meritocracy and academic promotion .
- 12 - Reduce commercial and economic risk

6. Some of the advantages of joining the WTO

Joining the WTO has some merits for Iran in a way that by precise identifying these benefits ,it can be used them as a bargaining chip in order to achieve sustainable development and can increase competitiveness in global markets, some of these advantages are:

- 1-Existing Oil and gas and other minerals (metallic and non metallic) in this price range and abundant sources of raw materials and fuels provides a large part of the industry;
- 2- There are extensive enough power and cheap electricity networks in the country;
- 3 - There are plenty of educated workforce.
- 4 - the young labor force (according to the age pyramid in the country).
- 5- Relatively high population itself is a consumer market;
- 6 – The probability in easy absorption of foreign capital and know-how to invest in the sectors of oil, gas, petrochemical, mining and like them that has is comparative advantage and economic justification (Foroughi Nia, 2003).

7. Potential challenges resulting from the joining of the WTO

Lack of proper planning and efficient in joining the WTO and don't remove legal and economic problems of the country can have Heavy consequences on the economy of the country that the following items can be mentioned:

1-Import: Lack of control in the importing country and remove all exchange controls that threatened the importing country ,regarding storage in the country's foreign exchange resources can affect the economy.

2. Export :Regarding one of WTOs' motivation that is accessing to export facilities and already is an essential part of the country's oil exports and some agricultural products and traditional membership form in this issue of the economic recovery program based on the goals can get away import policies from predicted targets . Thus contributing to the lack of international competition, the scope for exploiting the benefits of this organization is very limited in Iran .with regard to policy of reducing and eliminating tariff protection or non tariff competitiveness of domestic industries and industrial exports as a result will decline., As indicated in Studies in this field, the probability of membership in the WTO trade industry sectors are likely to be negative.

3- occupation :Iran's membership in the organization, while economic reconstruction problem is posed by program goals: occupation is expressed that can away predicted objectives from a country importing policy. Also expected usage patterns of the community is essential for change towards the use of foreign goods, in this case, the total domestic production will be affected and will have a negative impact on employment.

4-The balance of payments: Regarding that preserve the previous customs tariffs for member countries is related to disruption in the balance of payments of countries, oil-exporting countries should regard to export oil in order to make the balance of payments; This means more dependence on oil revenues and the continued unique production economic (because the oil is not considered as part of General Agreement on Tariffs and Trade, GATT) Therefore, considering the possible effects of membership in the WTO to increased imports and restricting exports of industrial rectifiers and thus the trade balance, negative balance of payments is expected to be amplified.

5. Foreign policy: It seems that the economy membership in the WTO will have a floating exchange rate. Because if prices are artificially kept constant. due to the difference between domestic and foreign inflation rates, the price of imports and exports will affect rapidly and increased tariff protection would be difficult or impossible in practice, the need for change in the exchange rate will be raised.

6. Investment: With regard to discussions of foreign capital in Iran's economy, considering Agreement on Trade-related investment measures are necessary. According to the agreement, countries are required to reduce limitation for recent investment. Therefore if Iran's membership in the WTO, such limitations will also include Iran (Rahimi Far, 2000).

8. Priorities and objectives in joining the world trade organization

According to the recommendations of international institutions and economic condition of the country, while emphasizing the coordination of the policies of the WTO, the World Trade Organization's recommendations on current conditions, operating hazards will benefit from it. But this should not lead to remain silent the issue and also it should be attention to remove the weaknesses and threats to meet and resolve the structural problems of the policy, production, and Simultaneously go toward a gradual step in the process of global integration. According to what was said with regard to the negative consequences of the economic and national security policies in the WTO, it is necessary to follow the priorities and goals of the following to reduce these threatening:

Postponed the time of accepted policies or recommended by the organizations concerned, economic conditions, political and social world are highly heterogeneous and different from each other. and the country may be able to carry out economic reforms in a short time and requires a relatively long against another country. Accordingly, the Islamic perspective on attitudes to economic reform before it is conditional and subject to the recommendations of international organizations, should be based on economic conditions, political. In other words, doing these reforms such as the implementation of the deregulation policy should be done without the pressure of hasty and influence the organization and be done purely on the basis of national interests.

Careful planning or expertise to carry out economic reforms, although economic reforms and stay away from the global economy can be delayed or slower process, It should be noted, however, that eventually should find the economy and the need to compete in the global economy and regarding the trend over the entire world, it is not possible to stay away from it and also is not good for the economy. Accordingly, it is essential that careful planning done so that presence in the global economy be provided gradually. This plan should be applicable first. In other words, the idealism and ambition must be avoided.

3- In an effort to improve the production structure, the main difficulty in entering the global economy is a severe failure in the productive structure of the country. Accordingly, all attempts to enter the world economy should be focused on improving the supply situation in the country. Especially because of the greater attention should be focused on the manufacturing and export of strategic goods.

4. Ineffective sanctions and attracting required investment, improving the productive structure of the country without attracting capital and required technology actually isn't possible. In addition, Iran has been heavily pressured by America and the sanctions prevent serious and effective investments in different economic sectors in the country. Accordingly, it is necessary that the Islamic Republic of Iran find alternatives to investment and transfer technology and attract them to the country. These alternatives can be Europe Union, the countries of Southeast Asia and

5. Improving economic indicators, if specified at the time of planning and improve the production structure, it can be hoped that indicators such as unemployment rates, Inflation, poverty gap are also improved; indicators that improve them is absolutely necessary before entering the global economy from a security perspective, these indicators can only hope to recover from the shocks to the global economy that, they do not led to the creation of economic crises in society;

6. Stabilization economic policies, especially monetary and foreign exchange policies: promoting Iran's capital market and banking sector reform and national insurance, with emphasis on efficiency and transparency, new technologies, health and exercise (Kamali Ardekani, 2005).

7. Strengthening of government financial policy, in particular to improve the country's tax system: joining the WTO requires efficient and regular tax system and government financial policy is transparent.

8. Gradual reduction of governments' consideration in economic through strict implementation of privatization policies: Joining WTO and having benefits and reduce the negative effects is a subject that not only requires the cooperation of ministries and local devices, but also requires numerous actions in the realm of the private sector in the real economy by all economic actors; Although the private sector is mainly related to the acquisition of competitive capabilities but government's role in awareness and utilization of domestic and foreign policy is of great importance to ensure the effectiveness of the private sector and encourage them to understand the new requirements (Kamali Ardekani, 2007).

WTO member countries, including requirements for privatization, attracting foreign investment law, corporate income tax cuts that would not be successful without a change in the economic structure. It should be noted that the laws and regulations governing economic activity of firms, high inflation, declining foreign investment, lack of modern technology and sophisticated, a shortage of manpower skilled and complex bureaucracy and other factors led to a decline the ability of Iranian firms' competitiveness in world markets. Therefore, exploitation of Iran's membership in the WTO entails upholding the principles and conditions that strength the various aspects of the country's economic competitiveness, technology, manpower (Habibi baghi, 2011)

9. Gradual cessation of government support from economic activity, even if the interrupt support is bankrupt and led to the elimination of inefficient industries and activities: Subsidies are so sensitive in the WTO, it is undoubtedly the issue of Iranian accession negotiations will be of special attention. Since membership in the WTO will lead to reduced support, not necessarily targeted, is necessary that the government determined comprehensive plan to reform subsidies by reviewing the current system of state subsidies. Nevertheless, reform should be made to the realities in organization, so after accessing producers and exporters do not face to unexpected situation, suddenly (Zare, 2007).

10. Some items are necessary which included: Identifying strategic sectors and activities and excluded them from the process of liberalization and privatization: the need to identify industries and strategic activities for the Supporting economic security and national interests against the release and pull off the important affairs of the state flag.

11-. Capture applied technologies to reduce the unemployment rate: open economic borders and enter to the world markets causes coming foreign investors to our economy and this matter itself makes the transfer of new technology to reduce unemployment in the country and reducing unemployment and entering the world market, causing domestic producers try to adjust themselves with world markets and thus find themselves in need of new technologies.

12.Constant communication and negotiation with international economic organizations such as the World Bank and International Monetary Fund officials to justify their need for gradual implementation of the economic adjustment policies. Because the organizations mentioned above have a major role in the global economy so it appears that authorities should make every effort to communicate with these organizations to carry out through the interaction of the shock so that it is possible through the implementation of the economic adjustment policies to slow the economy enters negotiations to reduce economic adjustment;

13.. Creating structures and infrastructure required for entry into the global economy, such as capital markets, convenient transportation system, communication system and communication with foreign trade and foreign direct investment and increase the quality of products with international standards accepted by the WTO to achieve competitive advantage.

14. Attempting to enter oil into negotiations as a product that constitutes the bulk of the country's exports: Considering that oil is the main source of income for our country and the future of currency Medium term will be the same, so in joining to WTO, it should have enough attention to oil position and allows to be considered to maximize the benefits of our country.

15.. Increase in export value-added product through the complete process of late chains. The objectives are within the overall goal of reducing the vulnerability of the global economy and to increase the security factor in relation to Iran (Azari, 2005).

9. Conclusion

According to the research efforts, the researchers raised the question that ((How can Iran to join the WTO could be used as a basis for sustainable economic development?)) Possible answer to the question scientifically described and evaluated completely, a first step in answering this question is that it is set to sign a strict protocol, So that we can begin to produce the necessary legal and secondly the insert where the constitution is contrary to the terms of the Protocol. So in total the researchers have a good policy and a program to make it more dynamic economy with a view to defining can deal with the issue. : Success in this way seems steep (joining WTO) and the high risk of adopting an innovative policy that Iran can also be establish a lot of communication with the world. That economic activity in various sectors such as agriculture, industry and services and the way that the organization has the power to competitiveness in global markets and so active (not passive, like many developed and developing countries) have an impact on the global screen. But the important thing is that it joined the WTO as a permanent member in addition to the many advantages, especially in the long term Golden Opportunity for our country and for the economy provides. There are also threats to the country. If we cant use opportunities according to a predetermined strategy possible threats that surround us become a great obstacle in the way of development of our country. Recently announced the general policies of Article 44 of the Constitution by the Supreme Leader that the possibility of transferring large units of government deposits to the private sector provides Step forward in the path of privatization and joining the World Trade Organization. In this respect, avoiding extremes snap and join the World Trade Organization and attention to the concerns of the least developed and developing countries and adequate attention to their theoretical basis and the international division of labor could be helpful in principle.

Recommended actions for the sustainable economic development of the Islamic Republic of Iran

- review in export policies and making strategies in the non-oil export with development approach and diversification of the export basket of the country;
- Attracting new technology to improve the competitiveness of manufacturing and services agencies;
- Strengthening the infrastructure to increase efficiency and competitive advantage to gain empowerment and professional training human resources and intellectual capital;
- focus on the production and export of complicated products rather primary commodities in order to create value-added;
- accelerate in the development of export diversification policies to deal with great shock that results from the removal of oil from the country's export basket .
- fundamental change to comply with speedy change in global markets;
- Develop a lucrative investment, and development of competitive industries and new service revenue through the expansion of business resources, services, recreation, tourism.

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