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## ANALYSIS ON OBSTACLES TO DIRECT INVESTMENT IN IRAN

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### INTRODUCTION

There was a considerable growth in direct foreign investment world-wide during the two recent decades, which was accompanied by fierce competition among countries to attract more investments. Therefore, they began to grant various motivations and advantages to investors as well as removing limitations in this regard. Direct foreign investment is one of the best ways of attraction of investment, technology, know-how as well as modern ways of production and economy management, which is of great importance. From 1970s Direct foreign investment growth can move quicker and twofold of the exportation of goods and services. Direct foreign investment not only provides the capitals needed for development programs,

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but also prevents importation of goods resulting in decreased of limited foreign currency. Also Direct foreign investment causes to export whole of part of the produced goods and increases the capital and foreign currency. Accordingly, the payment balance sheet of the countries may improve gradually. This type of investment has certain other positive consequences for developing countries including: importation of technology and know-how, access to international markets, increased skills and managerial techniques, preservation of environment, creation of new occupational opportunities and possibility of integration of national economies of developing countries into the international economy. In order to realize the obstacles and reasons of failure in direct foreign investment in Iran, the present article intends to realize the nature of direct foreign investment from scientific, applied vantage point and focus on the obstacles in this area.

## **1- A REVIEW ON TERMS AND EXPRESSIONS WITHIN THE REALM OF DIRECT FOREIGN INVESTMENT**

### **1-1 A DEFINITION OF DIRECT FOREIGN INVESTMENT**

According to the definition of UNCTAD by direct foreign investment, this is a certain type of investment comprising of long- term arrangements, reflecting permanent profits to persons and legal entities residing a country in the form of a company investing abroad.

Koyn believes that direct foreign investment is a type of investment seeking permanent profit by an institute which is active in a foreign country (other than home land of the investor), resulting in gaining an effective right of voting in managerial affairs of a company or institute.

Palgriv defines it as: a type of investment in the form of properties (including shares and securities) by an investor in a foreign country which may comprise of physical equipments for production. In Rayland's viewpoint, it is a type of investment during which money of material is transferred from one country to another to be used in setting up an economic

entity in the latter.

## **1-2 TYPES OF DIRECT FOREIGN INVESTMENT**

### **1-2-1 PROFIT INVOLVEMENT**

In this type of investment, the foreign party involves in taking risk, transfer of technology, management, enabling to receiving scientific training for his local partner through this transfer.

### **1-2-2 CONSTRUCTION, OPERATION, TRANSFER**

In this type of direct foreign investment, foreigner partner pays costs of the project, then transfers the project to the host country or local companies after expiry of the contract.

### **1-2-3 MUTUAL SALE**

Here, foreign investor provides financial source needed for purchasing machinery, equipments as well as transfer of technology for production. Foreign investor who provides financial source purchases the buyer's product under the terms of contract in cash, which may be equal, more or less than the initial value of the sources.

### **1-2-4 MUTUAL SALE CONTRACTS**

In these kinds of contracts, seller and buyer agree that seller (who provides financial sources) buys his products or its replacement.

### **1-2-5 PROJECT'S FINANCE**

Contrary to mutual sales and contracts, here, the major criterion to provide financial sources of the project is "being economic". If studies indicate that the project is economic, provider accepts to provide the sources in cash or non-cash without taking any share.

### **-1-8 SHARE-HOLDER'S LOAN**

Loan or financial facilities for foreigner share holders is another way to provide financial sources. However, receiving this loan is possible only when the loan payer is share holder of a local company. These kinds of loans are considered to be capital loans and have attributes of "capital" in case that they are not connected with guarantee devices of bank.

## **2- AGENCIES AND INSTITUTES INVOLVING DIRECT FOREIGN INVESTMENT**

There are currently agencies and companies which are involved in direct foreign investment affairs both directly and indirectly. Realizing them, considering their role in the process of direct foreign investment, creates due foundations for understanding obstacles and solutions for attracting direct foreign investment in our country.

### **2-1 INTERNATIONAL DEPARTMENT FOR SETTLEMENT OF DISPUTES ARISING OUT OF INVESTMENT**

Given the lack of a proper arrangement to settle disputes which result from foreign investment, International Bank, as a key entity in economic development of countries, decided to present a proper solution which can be accepted by everybody. Therefore, after negotiations from 1961 to 1965 in this Bank, a convention whose draft was signed by member states of this Bank was presented in Washington. According to this convention, an international entity was set up to settle any problem relating to investment. Based on this convention, paragraph 2 of article 1, this entity intends to create a due foundation to expand compromise and judgment in disputes among the member states. Based on the provisions of this convention, establishment of Exid Center aimed at not only judge disputes because serious attention has been paid to compromise as well. The second chapter of

this convention deals with compromise. Provisions of Exid convention became binding after 20 states joint it in 1966. During the next years, the number of states joining it increased. Statistics show that more than 155 states signed it in 2005.

## **2-2 MULTI-LATERAL AGENCY TO GUARANTEE INVESTMENT**

This multi-lateral agency, also known as Mega, as a branch of International Bank was established in 1988 and was officially operated in 1990. Main objective of this establishment was to guarantee investment in cases of political crises in developing countries, facilitation of direct foreign investment through reducing non-commercial dangers.

Mega guarantees only those investments which aim at producing and developing. The dangers that are covered by Mega include: dangers caused by currency transfer, seizure and nationalization, breach of contract, warfare and local unrest in the host land. In case of the dangers caused by currency transfer, Mega undertakes to guarantee the investors' capitals against the measure of government to impose limitations on changing national money to foreign currencies.

## **3- OBSTACLES TO ATTRACT DIRECT FOREIGN INVESTMENT IN IRAN**

Following Islamic Revolution and imposition of eight year war on Iran, foreign investors showed no interest in investing their capitals in this county due to the war and high risk of investing in this war-stricken country. It made a deep decrease in attraction of direct foreign investment. After the war ended, economic plans to rebuild the country based on five- year economic programs focused on direct foreign investment once again. The trends of direct foreign investment in Iran within the range of 1993 to 2002 indicate that Iran had little progress in attraction of investment despite the Iranian officials focused on it. In 2002 Promotion and Protection of Foreign

Investments Act was passed which gave proper motives to the foreign investors to bring their capitals into Iran. However, according to the ANKTAD report from 2000 to 2005, Iran had been unsuccessful in attraction of direct foreign investment, although it had a considerable capacity in this area.

### **3-1 A REVIEW ON OBSTACLES THAT PREVENT INVESTING IN IRAN**

Economic potential is a key factor to attract direct foreign investment. Therefore, more dynamic means more success in attraction direct foreign investment. Here in this section, we focus on certain obstacles which prevent investing in Iran.

#### **3-1-1 INWARD ECONOMIC POLICIES OF IRAN RELIED ON OIL**

Inward thinking has driven the Iranian government to be musing opportunities and oil-reliant economic system on edge. On one the key determinants for Iranian economic system for not being matched with International economy and failure to focus on other income sources such as direct foreign investment in Iran is the dominant role of oil and reliance of Iranians on this matter. Currently, oil and gas export constitutes 80% of Iranian exports and 60% of the government's income. Indeed, Iranian reliance on oil represents highest dependence on oil in the world. Tremendous oil income makes government not be interested in executing the policies that are not popular such as elimination of subsidies, establishment of an efficient tax system, correcting investment and labor Acts, removing obstacles on way of attracting direct foreign investment.

#### **3-1-2 FAILURE TO FOCUS ON PRIVATIZATION**

Unsuccessful privatization traces its roots in certain causes. One cause is existence of Article 144 in Constitution. This article divides Iranian economy into three sectors: public, private and cooperative. This article is a

justification for governmental dominancy over the economic system. Although discussion on this article has been opened by Supreme Leader and certain other authorities during the recent two years, government has not already taken serious measure to put it into practice.

Another reasons that made privatization plans to be unsuccessful was that Iranian officials did not believe in privatization as a way to increase economic efficiency and performance. This made the mangers against implementing this policy and prevents taking serious measures in that regard.

### **3-1-3 NOT-MEMBERSHIP IN INTERNATIONAL AGENCIES WHICH SUPPORT DIRECT FOREIGN INVESTMENT**

Not being a member of international agencies which support direct foreign investment is a determinant preventing factor that is discussed here in this section:

#### **3-1-3-1 NOT MEMBERSHIP IN MULTI-LATERAL AGENCIES WHICH GUARANTEE INVESTMENTS**

To the foreign investors, Iranian's not membership in these agencies means that Iran does not intent to compensate damages resulting from non-commercial causes. Besides, Iranians background in Revolution's Time, their seizures and nationalizations, make foreign investors distrust. Guarantees of capitals against non-commercial threats results in enhancement of foreign investors' trust. It is an important, helpful measure to remove obstacles in way of attraction of direct foreign investment.

#### **3-1-3-2 NOT MEMBERSHIP IN INTERNATIONAL CENTERS FOR SETTLEMENT OF DISPUTES DUE TO INVESTMENTS**

According to Article 19 of Promotion and Protection of direct foreign investment Act, existing system to settle disputes in Iran requires settling any dispute with foreign investor only within the framework of Iranian

government refusing to refer to any other authority for arbitration only in case that it has agreement with the homeland of the foreign investor. Under such as circumstances that most of the counties do not have such an agreement with Iranian government, disputes with Iranian government on investment must be settled by local courts. Given foreign investors unfamiliarity with the ways that Iranian courts settle disputes, also negative image that exists against Iranian courts in seizures and nationalizations, prevents them from bringing their capitals into Iran.

### **3-1-4 DIFFERENTIAL CURRENCY RATE**

One of the key issuers preventing foreign investors from investing in Iran is unforeseen variations and changes of currency rate. Happily, Unification of Currency Rate Act which received attention by Iranian government in 2003 opened many discussions of its effect on boosting inflation. During the recent years, Budget is planned based on following unification model. However there is a problem: although Government is strongly dependent on oil revenues, it often faces budget deficiency. To compensate this deficiency, it reduces constructional costs at the end of the year in order to meet its requirements. This reduces the speed of construction of country, and causes that these costs to be spent on purchasing goods and products that are known as "subsidized goods" to be used by not the population that needs them but by factories and special groups. In fact they receive inexpensive currency and destroy foundations for a free and open competition in producing certain types of goods and services with local and foreign investors in private sector. Therefore, unification of currency rate prevents them from receiving inexpensive currency. It is in the interest of a safe competition.

### **3-1-5 FAILURE TO FREE ECONOMIC SYSTEM**

Experiences and evidences indicate that those countries which have reduced their governments direct involvement in economic activities, have managed to take steps to free their economics and meeting international criteria.

Indeed, there is a direct relationship between economic freedom, GDP, investment, unemployment rate and inflation. Inward policies are the main source of failure to gain real economic progress and strong dependence on oil revenues.

### **3-2 LEGAL OBSTACLES IN ATTRACTION OF DIRECT FOREIGN INVESTMENT IN IRAN.**

#### **3-2-1 ARTICLE 144 OF CONSTITUTION**

Limitations imposed by Article 144 are a major source of legal obstacles to attract direct foreign investment. This article divides Iranian economy into three sectors: public, private and cooperative. This article is a justification for governmental dominancy over the economic system. This Article grants special advantages to Government and put limitations of private sector practically. In fact, this Article makes private sector as a supplement to public and cooperative sectors. Therefore, only those foreign investors can embark on economic activities that are permitted by private sector. Because of the special advantages that some may enjoy as a result of the Article 144, foreign investors can not freely start an economic activity within the Iranian economic system.

#### **3-2-2 ARTICLE 81 OF CONSTITUTION**

According to this Article, "granting advantage to foreigners to set up companies and entities in the realm of commerce, agriculture, industry, mines and services is strongly prohibited". Indeed, foreign investor's interpretation from this Article is quite different with that of Iranian authorities. Based on a reasonable understanding, and away from legal interpretations, it is a source of distrust for foreigners to register companies in Iran and start commercial activities. Commercial laws provide for everybody to set up company. There is no difference between local and non-local individuals in this regard.

### **3-2-3 ARTICLE 139 OF CONSTITUTION**

Based on Article 139 of constitution, settlement of disputes on public and governmental properties or refereeing them to arbitration is up to Board of Ministers which should be notified to Majlis (parliament) as well. In case that a party of cases is foreigner, and in important domestic cases, Majlis ratification is needed. Unfamiliarity of foreign investors and their concern about laws and regulations of the country have been a key and determinant factor to reduce the interest of the investors to invest in Iran. In fact, traders and investors prefer to be protected by international laws and agencies, and do not interest in investing in such a country which judges everything only based on its own rules and is not an active party to international laws and agencies.

### **3-2-4 OBSTACLES IN WAY OF PROMOTION AND PROTECTION OF DIRECT FOREIGN INVESTMENT**

Based on the previous laws and regulations on investment, the Promotion and Protection of direct foreign investment Act has advantages. However there are some deficiencies in this Act which are as follows:

#### **3-2-4-1 PROHIBITION ON ACCEPTING DIRECT FOREIGN INVESTMENT IN OIL AND GAS INDUSTRY**

According to this Act, we witness that articles 144 and 81 prevent economic activities that comprise of setting up big companies in Iran. So oil and gas industries are not exclusion of this fact. Oil Act, enacted on 1988 prohibits any investment in this area which requires establishing big companies and organizations.

#### **3-2-4-2 LACK OF MOTIVATIONAL POLICIES IN ATTRACTING DIRECT FOREIGN INVESTMENT**

One of the most important issues that Promotion and Protection of direct foreign investment Act has neglected is designing motivational polices to

promote investors to bring their capitals into Iran. Studies indicate that tax exclusions, and some custom and tariff advantages can be efficient to attract foreigners to invest in Iran. Unhappily, such a policy has not yet been envisaging in Iranians economic programs. Although I may not be considered as an "obstacle" but its lack may exert negative impact on attraction of investors.

### **3-2-4 -3 PROHIBITION ON INVESTMENTS BY FOREIGN GOVERNMENTS AND GOVERNMENTAL AGENCIES**

According to Promotion and Protection of direct foreign investment Act, Foreign governments and their agencies are prohibited to invest in Iran. The intention for inclusion of this article is that Iranian government does not be a party of disputes with other governments. According to this Act, only those investors can invest in Iran who do not belong to foreign governments and governmental agencies, but they should be private.

### **3-2-4-4 WEAKNESS OF PRIVATE OWNERSHIP**

It is quite evident that article 144 establishes limitations and constraints on ownership of private sector. Firstly, this Article grants ownership of big industries, banking and insurance to government. In fact, this Article gives priority to public and cooperative sectors and only realizes private sector in areas that it is supplement to public and cooperative sectors. Generally speaking, weakness in Iranian private sector should be accepted although our religious literatures and sources require to respect private ownership, we witness in certain cases, private ownership has not received due respect. Currently Iranian private sector is dependent on certain unofficial but influential groups. In reality, public sector has prevented the formation of an independent and producing sector known as "private sector". Under such as circumstances, hardly an economic activity is possible with good prospect.

### **3-2-4-5 LACK OF PRACTICAL SUPPORT OF INTELLECTUAL PROPERTY**

Iran joined Paris Union to support industrial ownership in 20 March 1993. According to Article 2 of this contract, member states of this Union have some special legal advantages within this Union. Based on this Article, any problem in this regard by local parties is to be prosecuted provided that relevant formalities have been met. Even, according to provisions of this Union, those individuals whose countries are not member of this Union but reside in one of the member states of this Union, are covered by this Article. Therefore, we witness that Iranian government has no problem in protecting intellectual properties, but lack of prosecution and investigations on misuse of trade and industrial marks have made concerns for foreigners about lack of due support in the regard in Iran.

### **3-3 POLITICAL OBSTACLES ON WAY OF ATTRACTING DIRECT FOREIGN INVESTMENT IN IRAN**

Researchers believe that democratic nature of politics in a country, non dominance of government on economics, lack of economic corruption and lack of political intentions, membership in international agencies, having a clear administrative arrangements are among the most important political indices that may create due foundations of participations of foreign investors in the economic system of that country. In case of lack of a good foundation, we can not anticipate that investors can feel safety to embark in commercial activities and start investment.

#### **3-3-1 NATURE OF POLITICAL SYSTEM**

While power structure and decision making in Iran reduces the possibility of people's participation, the foreign parties come to this conclusion that they may face a great variety of governmental limitations if they want to start activity in Iran. Therefore, some of the authors attribute failure of attracting direct foreign investment in Iran to its political system and lack of true democracy in this country. They believe that if Iranians intend to attract

foreign investment, they must create a democratic atmosphere and get everybody involved in decision making process. Unclear administrative processes also have added to this problem. If decisions are to be made in a clear atmosphere, political system can enable others to participate in law-making and improvement of situation.

#### **MISUSING OPPORTUNITIES**

Iranian economy has traditionally been a governmental economy. It traces its roots in exclusive ownership of government on economic sectors and revenues. It has helped formation of an inappropriate atmosphere in Iranian society. Iranian political system has all specifications of a misusing system which was created just from the time that this country started to sell oil by Pahlavid dynasty. After Revolution, imposition of war also fueled it. Meanwhile, nationalization of banks, producing companies and seizure of properties, dominance of government on economic system boosted. This situation weakened safe economic competition due to some exclusive rights that public sector enjoyed. So in this country, we can not expect that we can attract investment from abroad. Since, situation is basically against a safe, competitive economy. It also imposes great constraints on other sectors and activities and prevents them from making real progress.

#### **3-3-3 FINANCIAL AND ECONOMIC CORRUPTION**

In the list that issued by UN on corruption indices among countries, we can not see Iran's name. It is due to lack of access of UN to Iranian data and statistics to rate this country. Given the direct relationship between governmental economy and financial corruption, although it is impossible to rate Iran in the list of corruption due to its closed system and lack of efficient data and statistics, we can judge that Iran can not possess a good rank in this regard if we consider the degree of Iranian economic freedom. Governmental economic caused information exclusivity, insufficient employees, lack of control on governmental contracts and inefficient laws

and regulations.

### **3-3-3-1 ACCESS TO INFORMATION EXCLUSIVITY**

Economic exclusivity and access to misuse information is a major criterion to judge the financial corruption world-wide. More economic power of government, more governmental the economic system which results in strong corruption. In should be noted that based on this criterion, unhappily Iran can not take a good position since 80% of the country's sources are at hand of the government and most of the important economic information are exclusively possessed by officials. This has made access to real statistics and data impossible. Here in this situation, everybody cares only of its own interests.

### **3-3-3-2 UNCLEAR BUDGET LAW**

One important index which boosts financial corruption is lack of financial discipline and neglect of responsibility resulting in waste of much of the country's sources. If we lack a clear budgetary process, we can not expect to eradicate financial corruption. Neglect of clearance in annual budgetary process is a key determinant in boosting corruption which is acknowledged repeatedly by Majlis and economic authors.

### **3-3-3-3 LACK OF SOCIAL SECURITY**

An efficient social security is one of the ways to combat financial corruption and a good device for promotion of development. Given lack of a sufficient support on low-income population in Iran, there is appropriate foundations for corruption. Although government is responsible to provide needs of certain low-income groups of society, in some cases, studies and statistics demonstrate that it has not have a good, successful record in this regard. It increases people's concern on their standards of life and promotes financial corruption and deteriorating the economic satiation of the country.

#### **3-3-3-4 NOT USING EFFICIENT FORCES**

Not using efficient forces has its roots primarily in the intensity of closeness of economic system. Basically, in closed economies, individuals with high potentials are not used and their skills are waste. These individuals can not be used in inventions and inventive acts and this will be against the economic rules and interests in the long-term. In this situation, financial and administrative corruption will surely increase.

#### **3-3-3-5 INSUFFICIENT OF EMPLOYEES IN GOVERNMENTAL SECTOR**

Administrative corruption is defined as "unlawful utilization of administrative and governmental authorities and power for personal interests. One of the most important causes for administrative corruption in not-developed countries is that they are run by persons no highly education and skills. In Iran, for example, only 21% of employees who have academic qualifications, which indicates that public sector, is not sufficient in this regard. Also, low rate of incomes and wages have added to this problem. This automatically expands the corruption because every body seeks to improve his own standards of life.

#### **3-3-3-6 INSUFFICIENT LAWS AND REGULATIONS**

"Iran suffers from inappropriate laws and regulations" one of the governmental officials once told. Sometimes laws do not grant appropriate power and authority to officials to take action. Frequent laws in some cases and lack of laws in certain other cases have created due foundations for corruption to increase. Unclear laws, possibility to misuse of laws, lack of appropriate laws in certain cases have fueled corruption in Iranian government and economic system.

#### **3-3-3-7 LACK OF DUE CONTROL AND SUPERVISION ON GOVERNMENTAL INVESTMENTS**

Identifying qualifications, selection of contracts and conclusion of contracts

in big infrastructural plans are carried out by government. This has guided the governmental credits to certain plans and programs. In such plans which are financed by government, they are not duly supervised and controlled. It has led to irresponsibility of officials and deep financial corruption. Due to integrated governmental management on these plans from conclusion of contracts to the payments and estimation of payments and final approval, managers and advisors find opportunity to expand corruption.

### **3-3-4 SUPPORTIVE POLICIES AGAINST COMMERCIAL FREEDOM**

Supportive polices for certain economic and non-economic sections which have been justified by governments have been existed traditionally in Iranian economic system. Political interests have been mainly a major source of these supports. Countries which are being boycotted or were exposed warfare must be able to produce their basic products to preserve their independence and finally survive. Governments must support steel and iron industry, agriculture and military industry not to focus on uneconomic sections and industries. Unhappily, due actions have not been taken to support valuable industries that help our economy develop. In some cases, governments have extremely supported one industry in the expense of neglecting other valuable ones.

### **3-3-5 COMPLEXITY OF ADMINISTRATION SYSTEM, UNABLE TO ATTRACT DIRECT FOREIGN INVESTMENTS**

Under the current situation, we must have a center which handles attracting direct foreign investment affairs. We have such a center, but it has not sufficient authority in most of the cases to make important decisions and expand its activities. One of the most important problems facing the foreign investors is lack of coordination of relevant government agencies. It prevents this center access to its goals and meet its requirements.

## **5- CONCLUSION AND SUGGESTION WITH THE INTENTION TO REMOVE OBSTACLES ON WAY OF ATTRACTING DIRECT FOREIGN INVESTMENTS**

Exclusivity of oil industry into the hand of government has made the government as a misusing government. This has slowed down the economic development and made the activities unsafe for investors. Iran's failure to attract direct foreign investments results from three main factors: political, private, and economic as well as a combination of these three factors. This combination made Iran face new set of complicated obstacles, in such a manner that rendered the understanding of main obstacles impossible.

### **5-1 FIGHTING AGAINST FINANCIAL CORRUPTION IN ORDER TO ATTRACT DIRECT FOREIGN INVESTMENT**

Investing companies study on the costs and consider if they can gain appropriate profit with spending a certain amount of cost. In their estimations they come to this conclusion that they must enter into such an economic system that is quite safe to lead a competitive economic activity. Therefore, if Iran intends to attract direct foreign investment, it must take serious measures to reduce financial corruption, expand privatization, and create equal opportunities, equal access to information and so on.

### **5-1 NEED FOR SETTING ASIDE THE SUPPORTIVE POLICIES**

Influential figures and groups use their influence to force government to support certain entities and finance them. In most of the cases, these entities may enjoy tax exclusions and exclusive rights that destroy competition and dynamic economic system. In such a situation, foreign investor does not prefer to enter into Iranian economic system, and we will be deprived of the gains of attraction of direct foreign investments.

### **5-3 REMOVING COMPLEX ADMINISTRATION OBSTACLES**

To arrive a foreigner into the country, the objectives of many departments

and ministers such as central bank, ministry of labor, and ministry of foreign affairs and so on must be taken into account. Along this process, there may be problems facing investors to bring capital into the country. If there are many centers for decision making, the number of problems facing investor shall increase and prevent him from investing in the country. He must not have problem in obtaining relevant permits or enjoying certain types of governmental services. Also complex administrative obstacles must be removed to facilitate foreign investor to invest.

#### **5-4 IRANIAN MEMBERSHIP IN MEGA**

Iranian membership in Mega is an important step towards attracting foreign capitals and developing economically. In this regard, Iran can make use of the experiences of other developing countries in this area and use them in policy making to support and promote investors to bring capitals into the country. Also, this membership can facilitate Iranians' relationship with other institute to enjoy their services.

#### **5-5 NEED FOR IRANIAN MEMBERSHIP IN INTERNATIONAL CENTER FOR SETTLEMENT OF DISPUTES RELATING TO INVESTMENT**

Iranian membership in this center can compensate deficiencies relating to the arbitrations and settlement of any disputes arising out of investment. Also it can make the investors trust in Iranian intention to support them and their capitals. Opposing parties to this membership inside Iran were concerned about limitations that they may face in their own intentions. Iranian government must consciously remove all these persistence's and take appropriate actions to develop economically.

#### **5-6 NEED FOR CORRECTION AND REVIEW ON ARTICLE 144 OF CONSTITUTION**

In this regard, removing limitations and constrains that have been imposed

by this Article is necessary action that must be taken by government. This Article must be corrected in such a manner that all these limitations could be removed automatically. These limitations exert negative impact on safety of economic activities and prevent investors from entering into this system. We must have in mind that we can make no progress economically unless we remove these obstacles. This Article grants certain exclusive rights for government. It is destructive for an economic system, which must receive due attention and focus. How can we gain economic progression with all these problems? Article 144 must be basically corrected. It must promote privatization not granting exclusive and special rights to public and cooperative sectors.

#### **5-7 NEED FOR REVIEW ON ARTICLE 81**

According to this Article, "granting advantage to foreigners to set up companies and entities in the realm of commerce, agriculture, industry, mines and services is strongly prohibited". Indeed, foreign investor's interpretation from this Article is quite different with that of Iranian authorities. Based on a reasonable understanding, and away from legal interpretations, it is a source of distrust for foreigners to register companies in Iran and start commercial activities. It makes foreign investors distrust in Iranian economic system. Foreign investors' interpretations on this Article are quite different from the Iranians. We must convince them that everything has changed towards the past and they must rely on our advantages. Firstly we must change the mind of investors that have been negatively impressed by this Article then we must make basic amendments on the provision of this Article to remove any obstacles arising out of it. ❖