

Issues and Requests Relating to Foreign Trade and Investment - Iran

	Category	No	Issue	Issue Details	Requests	References
2	Grant of a Preferential Tariff Rates based on Increased Home Production, and/or Local Procurements	(1)	Preferential Measures to Domestic Steel Industries	- As a measure to protect the domestic steel industry implemented since March 1982, sometimes, GOI requires foreign investors to obtain "Non-Production Certificate" on products manufactured at the domestic mills.	- It is requested that GOI repeals the system or deregulates the procedures.	
		(2)	Preferential Booking of Home Country Vessels	- In March 1982, the Central Bank of Iran (CBI) promulgated a notification compelling the use of Islamic Republic of Iran Shipping Lines (IRISL), a state-owned carrier. Particularly due to the substantial volume involved in the governmental procurement, GOI has strictly enforced the requirements under this notification on goods destined to governmental institutions. In October 1990, GOI compelled the use of IRISL for the lot of 500MT or more in principle. However, foreign flag carriers may be used by payment of 10% penalty over the ocean freight.	- It is requested that CBI repeals the prioritising requirement for use of the state-owned carrier.	
9	Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	Import Control by Foreign Currency Allocation	- With a view to controlling the balance in export/import business and achieving planned imports each Ministry de facto controls foreign currency (upon issuance of L/C) by quota allocation of foreign currency.	- It is requested that GOI repeals the system for the foreign currency quota allocation.	
		(2)	Buy Iranian Policy	- In March 2009, for the purpose of protecting the domestic steel industry, GOI promulgated "Notification on the Buy Iranian Policy" that restricts public procurement of steel products only to the domestically manufactured products.	- It is requested that GOI repeals the Buy Iranian Policy.	
		(3)	Frequent Changes in Import Product Category Items	- GOI's frequent changes in the product category of import items have caused confusions among the Iranian importers, although the adverse foreign exchange environment of the Iranian currency understandably has necessitated such measures for prioritising the import products.	- It is requested that GOI ensures transparency and clarity in introduction of the new schemes for their stable implementation.	
		(4)	Import Ban on Finished Cars	- By Ministry of Industries and Mines Circular, from November 2012 or thereabout, import ban on finished cars has taken place, in response to the GOI's Policy to cut down import of luxury goods due to the shortage of foreign currency. With payment of 90% import duty, it used to be barely possible to import finished cars.	- It is requested that GOI lifts the import ban.	
12	Exchange Controls	(1)	Tightened Foreign Exchange Control	- In August 1980, acquisition of approvals has been made necessary, issued respectively by the Plan and Budget Office (PBO), Ministry of Economic Affairs and Finance (MEAF), General Administrative Agency (GAA), Ministry of Commerce (MOC), and CBI to open Letters of Credit (L/Cs). - Since March 1992, Regulation has been enforced, necessitating CBI's approval on L/C extension, etc.		

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			<ul style="list-style-type: none"> <li>- Since October 1993, MOC's approval has been required on all foreign exchange transactions including opening of L/Cs.</li> <li>- Since 1994, GOI has strictly controlled imports, making any imports not made through Iranian financial institutions unlawful, in principle. Simultaneously, any import made corresponding to exports has been severely restricted.</li> <li>- Since about the end of 1997, the number of L/Cs opened at sight terms has increased and from the beginning of this year, 90% or more of L/Cs have been opened with "at sight" terms. The rate of foreign exchange has been fixed at US\$1.00= IR3000, while the floating rate at US\$1.00=IR1750 has been applied to import necessities of life.</li> <li>- In March 1999, export foreign exchange rate of US\$1.00= IR3000 was discontinued.</li> <li>- Since March 2000, the foreign exchange transaction has begun at Teheran stock exchange.</li> <li>- In the middle of 2001, the preferential import rate of US\$1.00=IR1750 was discontinued.</li> <li>- Since March 2002, the foreign exchange rate has been harmonised to the current rate to achieve sound economy, and notional finance reflecting the improved foreign currency reserves and deregulating import restrictions.</li> <li>- Since December 2006, GOI has discontinued opening of L/Cs in US dollars.</li> </ul>		
			<p><b>(Actions)</b></p> <ul style="list-style-type: none"> <li>- The method of acquiring foreign exchange: Commercial banks. The name of domestic currency: Real.</li> <li>A. Designated Currency: EURO, Australian dollars, Canadian dollars, Japanese yen, Norwegian krone, British pound sterling, Swedish krona, US dollars, Danish krone, Swiss franc, etc.</li> <li>B. Since December 2006, GOI discontinued opening of L/C in USD. (Source: Economic Commission Decree No.309/198528 promulgated on 13 December 2006).</li> </ul>		
	(2)	Confused Information on Foreign Exchange System	<ul style="list-style-type: none"> <li>- It takes a long time before release and implementation of the new foreign exchange system. Prior to its announcement, due to the spread of mixed speculative information, the market confusions get accelerated.</li> </ul>	<ul style="list-style-type: none"> <li>- It is requested that GOI takes positive measures to improve the chaotic conditions.</li> </ul>	

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	(3)	Large Price Jump on Imported Transport Equipment Products	Central Bank of Iran (CBI), by its Directive in August 2012, removed from the scope of the previous CBI reference rate, the import of CKD for transport equipment including cars, so that the rate of exchange closer to the market rate under Ministry of Commerce (MOC) applies. Consequently, it has driven up dramatically the import prices, causing the severe decline in imports from Japan.	- It is requested that GOI applies the fair CBI reference rate.	
	(4)	Rapid Exchange Fluctuations	<u>Radical exchange fluctuations prevail. As it stands, member firm's subsidiary (MFS) benefits from exchange gain on a direct export transaction in yen. Nevertheless, negotiation for raise in price is difficult. In a transaction with its parent company, the prevailing Yen depreciation enables MFS to offer special prices to its customers. However, MFS runs on a thin margin, so that if the exchange rate swings toward appreciation of Yen, it will instantly show operational loss: such is the severity of the fluctuation band.</u>	- It is requested that GOP takes step to: -- <u>stabilise foreign exchange fluctuations, and</u> -- <u>holds the fluctuation band within a few percents in 6-months.</u>	
13	Finance	(1) Restricted Cash Withdrawal from Foreign Currency Deposit	<b>- At foreign exchange account of Iranian commercial banks, cash withdrawal in foreign exchange is restricted. Probably impacted by the aftermath of the prolonged economic sanctions which resulted in foreign currency shortage, the withdrawal limit has dwindled so that it has reached the point where withdrawal is no longer possible. While the trend of cheaper Iranian currency continues, demand for foreign currency is on the rise, as exemplified in payment in foreign currency, now necessary for fixed assets rental fees. Its negative impact on office operation has been looming large. As of January 2015 withdrawal in foreign currency (USD and EURO) has improved somewhat. Continued withdrawal, albeit small in amounts, is getting possible.</b>	- It is requested that GOI removes the restrictions on the foreign currency withdrawal.	
16	Employment	(1) The Payment Basis is Nebulous for Social Insurance Premium	- The terms and conditions are nebulous for insured persons, payment terms of social security insurance premiums, etc. Sometimes, GOI invoices Japanese expatriates' social insurance premiums, including the employees already retired from time to time.	- It is requested that GOI in regard to social security insurance policy: -- clarifies its implementation, and -- implements it in accordance with the implementing rules.	
20	Monopoly	(1) Concentrated Purchase by Ministries and Agencies	- Governmental institutions (such as Industrial Development and Renovation Organization of Iran (IDRO)) centrally purchase mainly imported general-purpose items in substantial volume for a planned distribution to and protection of SME purchasers, who are unable to procure them at advantageous terms. There are some movements for privatisation in this effort.	- It is requested that GOI repeals this system.	

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26	Others	(1)	Impact from International Economic Sanctions	<p>- <b>While further tightened economic sanctions in 2012 have driven major Iranian industries to a standstill, MFS has no alternative but follow the suit by restricting its activity. Whereas some deregulation in the economic sanctions took place, transactions remain prohibited with enterprises included in the sanction list. Since city banks remain thinking twice about opening new transactions, de facto sanctions continue.</b></p> <p>- <b>In August 2013, the President Rouhani upon assumption of new administration set forth his stance for resolution of the nuclear issue through exchange of dialogues with EURO-American countries. With development of dialogues, on 24 November 2013, interim agreement was reached. It led to promulgation of Joint Plan of Action (JPOA) of 24 November 2013, followed by its implementation for 6-months, during which period, however, the parties failed to reach Comprehensive Agreement on nuclear consultation. It further delayed by 4-months, and then 7-months, without deregulating sanctions, while JPOA remains unchanged. The economic financial sanctions and restricted business environment continues.</b></p> <p><b>(Improvement)</b></p> <p>- <u>In July 2015 agreement was reached among 6-countries ( the U.S., EU, PRC, Russia), and Iran agreement was reached on the nuclear issues.</u></p> <p>- <u>In September 2015, negotiation started between Japan and Iran on investment agreement, and in October agreement in substance was reached.</u></p> <p>- <u>In January 2016, Japan lifted its economic sanctions against Iran.</u></p> <p>- <u>In February 2016, investment agreement between Japan and Iran was signed.</u></p>	<p>- It is requested that the economic sanctions against Iran is lifted.</p> <p>- It is requested that GOI takes steps to:</p> <ul style="list-style-type: none"> <li>-- proceed expeditiously toward the ultimate solution of the nuclear issues, and</li> <li>-- achieve removal of economic sanctions.</li> </ul>	<p>- UN Security Council's resolution imposing sanctions against Iran</p> <p>- Measures taken by each country following the UN sanctions against Iran</p>