

1- Formulation of Iran's Trade Policy Document, First Phase: Modifying Import Regulations (Tariff and Non-Tariff Instruments) and Its Institutional Structure

Determination of trade policies in the process of economic development and growth has always been a major concern for governments. An integrated and well-targeted trade policy, as a tool for the materialization of development strategy objectives can, therefore, significantly contribute to enhancing the efficiency of government economic performance. Trade policy is a set of measures implemented by government in the area of trade. Comprehending the term trade policy needs the careful definition of its two constituting elements. Policy in short, is a practical plan or roadmap that the government employs in order to make systematic and integrated decisions to better accomplish its objectives in a given area. Trade, in this context, is defined as international exchange of goods and services. Trade policy, therefore, is a set of legal and executive measures taken with regard to foreign trade in order to fulfill the main objectives of the government, i.e. welfare and development.

Therefore, the goal of trade policy is to direct foreign trade flow in such a way that it leads to increasing or decreasing trade, protecting domestic production, increasing exports in order to expand markets for domestic industries, restricting imports in order to protect infant industries or to control demand for foreign currency, supporting the imports of capital goods in order to expedite economic development and growth, and restricting the imports of goods effective on balance of payments deficit.

Customs duties and taxes, non-tariff measures such as quantitative restrictions and prohibitions on exports and imports, imposition of requirements such as export and import licenses, and granting subsidies, in particular to exports are among the most usual trade policy tools. Expansion of trade integration arrangements at bilateral, regional and international levels, around the world, however, has gradually limited the governments' ability to use such policy tools. Regardless of the existence of a formulated document on trade policy, governments (Iranian government included) have indeed some kind of trade policy, because they all implement trade policy tools, and Iran is no exception to this. The existence of a formulated trade policy document, however, does not guarantee its integrity and effectiveness. Trade policies must be implemented so as to serve the above mentioned objectives. A historical overview of the performance of Iran's trade policies after

the Islamic Revolution reveals that trade policy tools in Iran have mainly been employed in order to overcome immediate problems or, at best, to meet short term needs and achieve short term objectives. This approach can be in part attributed to the special structure of our economy, which is characterized by state ownership and dependence on oil revenues, as well as the lack of an integrated and well-targeted development strategy, which has culminated in an improper allocation of resources in different sectors on the one hand; and exogenous problems imposed on our economy such as economic sanctions and the Iraq-imposed war on the other. Some of these problems have through the years evolved to become a consequence of the lack of a formulated trade policy. For instance, dependence on a single commodity such as oil and low specialization in production of goods and services are among the major consequences of to the lack of an integrated trade policy. Moreover, failure to implement coherent and proper industrial and trade policies has given rise to low competitiveness of our industries even in domestic markets. Furthermore, the lack of a clear orientation in trade policies especially in recent years, has led to confusion among economic actors, lower confidence in business environment and even lower investment.

Trade policies are in principle an integral component of development strategies. In order to identify and to determine appropriate ways for strengthening dynamic and competitive sectors, governments usually take account of economic conditions at both sector and firm levels, in domestic and foreign markets, as well as other major trends and developments in and outside the country affecting trade, etc. In this context, trade policies are part and parcel of the set of tools utilized by governments toward realization of their strategic objectives of industrial development. Designing development strategies, it needs to be emphasized, does not fall in the scope of this study; although this does not mean that trade policies and development strategies have been considered as independent subjects. Even countries failing to formulate a well-documented development strategy cannot be said to lack such strategies. Indeed, the regulations and procedures applicable on domestic and foreign trade constitute the components of a more comprehensive set of policies, which from a broader perspective, depicts, however imprecisely, the development strategies of such countries. For instance, an overall analysis of Iran's tariff structure indicates that import substitution strategy has always had a key role in the orientation of our tariff policies, and that in some exceptional cases, export promotion, though not coherent enough, has been the dominant strategy. The various elements of development strategy can be better identified through

studying and analyzing the laws and regulations of higher precedence, including in particular the Constitution, the Twenty-Year National Vision, the general policies of the State in different areas, as well as Iran's the five-year development plans of the country, Such a representation of the elements of the development strategy, however, is not always clear, and at times even conveys contradictions. However, major plans such as the Twenty-Year National Vision and the General Policies of Resistance economy and the like, have in principle been prepared based on reliable studies, and the trade policy of the country will be formulated on the basis of the objectives and strategies set out in such documents.

The first systematic attempt to develop export promotion policies in Iran dates back to 1998 when policy makers were designing the third development plan. This was pursued more seriously in the fourth development plan, and then “the National Strategy for the Promotion of Non-Oil Exports” was adopted by Council of Ministers’ in 2012. However, Iran has long been missing a comprehensive document that contains long terms objectives and approaches regarding trade policies, while practically leading to convergence and synergy among trade policy tools. This has, resulted in instability, and even at times adoption of impulsive and inefficient tariff, non-tariff and protective policies aimed at solving immediate predicaments. Therefore, according to regulations and policies of higher precedence, such as the General Policies of Resistance Economy, Paragraph 2 (promotion of exports of knowledge-based products and services), Paragraph 3 (enhancement of productivity and competitiveness), Paragraph 9 (stabilization of national economy), Paragraph 10 (comprehensive protection of exports of goods and services proportionate to value added), Paragraph 12 (trade diplomacy), and Paragraph 19 (transparency and fighting corruption in the economy), it is essential to formulate an inclusive and practical trade policy that leads the executive bodies regulating foreign trade, in utilizing trade policy tools in line with those objectives and policies of the country that enjoy higher precedence. It is noteworthy that Trade Promotion Organization is in charge of designing the national strategy for export promotion in Iran.

1-1- Goals and objectives

1. Formulating the trade policy of the country.
2. Designing an appropriate model for the formulation of the optimal trade policy as per the objectives of the National Strategy for the Promotion of Non-Oil Exports, including: achieving sustainability in exports, and diversification of exported goods and services;

maintaining market share; diversifying export markets; improving the environment for exports of goods and services at the national level, enhancing competitiveness of exported goods and services; providing access to more advanced and competitive services supporting exports ; and making Iranian firms competent for exports at world class levels.

3. Designing the mechanisms, regulatory instruments as well as the institutional structure appropriate for the implementation of the above mentioned model.

1-2- Beneficiary organization:

Trade Promotion Organization of Iran