

Achievement of strength of the economy in Iran with an emphasis on attracting inward investment

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Abstract

Investment is the ways to speed up the economy movement to the growth and stable development. Investment is the ways of coping with the problem of shortage of funds in the economy of many countries, particularly developing countries, capital formation and investment is one of the factors that affect the role of each country in macro-economic goals such as generating production, reduce unemployment, inflation, export promotion, import substitution, foreign money, technology and technical knowledge world. So every country is trying to provide the right conditions (security and economic stability, political, social) and structural and legal reform, to attract investment. This article first deals with obstacles in the way of investment. As well as various investment outcomes are discussed. Finally, it has been referred to the mechanisms underlying investments in Iran.

Key words: investment, Iran, the strength of the economy, economic growth

Introduction:

Developing countries to boost the economy, create jobs and achieve sustainable economic growth and development are facing the problem of shortage of funds for investment. As one of the major issues of economic investment and to create and sustain economic growth, capital formation in each country, particularly in developing countries is important. One of the major causes of underdevelopment in developing countries is lack of financial resources and capital of the country. What can be seen in the economies of these countries is to improve economic growth and development without investment and

capital accumulation is difficult. Investment products in terms of quality and quantity, and it causes increase the growth of exports and economic growth. In addition, it can inhibit the reduction of unemployment and inflation inside the country as well. Investment is a tool to achieve the objectives of macro-economic (employment, unemployment, inflation, export development and import substitution, foreign exchange earnings and financial compensation and liquidity) and, ultimately, sustainable economic growth and development of countries .Low foreign exchange earnings from the export of raw materials and dense population and high consumption, excessive imports and internal high demand, inflation, unemployment (mainly structural) are the problems of developing countries .To compensate for the backwardness and poverty of these countries need to attract investment, and therefore often try to create a safe business environment, to lower the risk of investing in their countries. So these countries are trying to stabilize the economic and political conditions and take advantage of the potential and comparative advantages in the economy and ensure the efficiency and rate of return, would have the maximum investment with the importance of investing in regional economic integration and international, the share of investment in our country is insignificant and yet, in this context, success and good standing gain. This article seeks to answer these questions:

- Which one are the barriers and restrictions in order to attract investment in Iran?
- What are the effects of attracting and advantages of investment?
- What are the solutions and strategies for systematic investment in Iran?

Problem Statement:

Iran to avoid sanctions and lessen the consequences of the economic policy of economic isolation and economic sanctions must use the tools introverted outside, especially from single-product economy (oil) will be relieved. We have also given the need for international organizations such as the WTO, the investment is very important. Investment requirements for our country, including the reform of trade regulations. It should be corrected Cumbersome and unreasonable restrictive licensing rules in the banking, trade, customs, insurance, tax).In addition, security and political and economic stability and guarantee the principal and interest on capital and returns on investment, it reduced risk of investing in the country. Our country has enormous resources (oil and gas, minerals, etc.) as well as abundant human resources can have a major role in attracting international investment. Economic legal infrastructure that is necessary for security investment as well as the development of economic infrastructure (railways, ports, airports) and it has trained an increase in labor force skills and training human resources. It makes the desire of investors to invest in our country that will increase. With concessions and encouragement of banking, insurance, customs convenient, motivated investors to increase investment in the country. It would also be appropriate with the regulations to open the way for Iranians living outside the country. Despite Iran's capabilities and potential for investment could not yet to have much success in attracting this type of investment and unfortunately, Iran's share of investment has been minimal.

The need to attract investment in Iran:

Investment operates as a means to increase the quality and quantity of production and the acquisition of technical knowledge and technology, improving the quality of human resources and increasing skills and management experience. Today, investment attraction of various economic sectors and in various countries, especially developing countries and those in transition has been significant. And the importance

to the important role is that this country welcomes investment in macroeconomic variables. Investment has had positive impact in increasing production of countries, inflation, reduce unemployment and increase employment, growth and export development and transfer of technology and knowledge and improving other variables and economic indicators and it encourages countries in attracting greater investment and make to competing each other. Investing has caused enhancing the quality of the products supplied and internal production and will increase internal producers' competitiveness in the international arena. The investment makes optimal use of internal resources and optimal allocation of resources and it will reduce internal prices. On the other hand the quality of export-oriented production and import substitution will be positive the balance of payments of the country. And revenue will be increase. In samples and various models for the development of the proposed investment has been importance and it plays great role in the process of economic development. Given that the main motivation for investors to make a profit and maximum efficiency, while recognizing the potential and capabilities of our country should attract investment to adopt appropriate policies and monetary, financial, political and economic consolidation, provided security economic of the country.

Literature Review

Internal studies

Leyla Sarfaraz (2002) had entitled an article about Economic reforms and foreign direct investment in Iran. She has examined foreign direct investment from the point of view of internal and external studies then she analyzes internally, legal, cultural, economic, social, political and historical constraints, and foreign direct investment. Noted that international organizations like Miga and Sisid that are dependent on the World Bank, in an effort to pave the way for attracting foreign direct investment to the less developed countries. The author believes that any delay in making the necessary fields to attract foreign direct investment due to the importance of investing in foreign trade, can marginalize Iran in the global village. Significant growth in foreign direct investment is one of the main features of the global economy during the last two decades. Foreign direct investment means investment by multinationals in host countries for the control of assets and management of production activities in these countries. Foreign direct investment growth has accelerated since the early 1980s. He also referred to cultural barriers, social, economic, historical, political and foreign investment in Iran, concludes that the growth of foreign direct investment in the past two decades the transfer of technology and innovation capacity in less developed countries. The author also referred to cultural barriers, social, economic, historical, political and foreign investment in Iran, he concludes that the growth of foreign direct investment in the past two decades, has caused technology transfer and innovation capacity in less developed countries. According to the author, although efforts have been made to improve legislation and encouraging investment in promising but its performance has not been satisfactory in terms of attracting foreign direct investment.

Foreign Studies

Sonal S. Pandya (2010) in an article entitled the labor market and the demand for foreign direct investment notes that existing research on the effects of foreign direct investment flows of foreign direct investment policy focused on security. The author believes that the preferences of foreign direct investment and support foreign direct investment should be combined with the skills of the labor force.

Research goals: The aim of this paper is to examine the importance and necessity of the development of investment in the country. Moreover, it identifies and discusses obstacles and limitations, the effects and benefits and ways of attracting investment in Iran as well.

Methodology: descriptive study theoretically and in a way that uses the library of books, articles in Farsi and English, and reports this research is to develop the relevant organizations. Review of reports and scientific papers in local and external resources as well as review articles, has been the methods and resources needed for achieving the information in this article.

Results:

Available obstacles and restrictions in order to attract investment in Iran:

Our country is facing in order to attract investment restrictions and barriers, if overcome these limitations will not be marginalized in the international economy and international trade, and the country cannot be that is worthy of the interests of direct investment benefit. These obstacles are listed can include the following:

- 1-Instability and inefficiency and volatility of economic policies (monetary, financial, exchange and)
- 2- The volume of activity and excessive government intervention and maximum and minimum of market intervention (unnecessary government intervention in the economy including business interfering in internal and foreign trade, unnecessary intervention in the market for goods and services through pricing, tariffs unreasonable in the customs and ...
- 3-Weakness and lack of infrastructure and physical and economic infrastructure (communication systems, transportation, railway, road and air, ports, etc...).
- 4- The economic and political sanctions mischief by interfering America and Western countries such as pressures and threats of different political and economic sanctions against investment in Iran.
- 5- The low share of private sector loans and bank facilities (especially in manufacturing).

The effects and benefits of investment:

Entrance capital flows to developing countries; result in macro-economic effects. Foreign capital for any reason and the way that is done, it leaves significant effects on macroeconomic variables and can be changed economic systems. Positive effects of investment in our country as well, including the following:

1. Increase and development of internal production capacity and compliance and its relationship with global manufacturing
2. Exchange rate and strengthening of the internal currency and increased purchasing power of the internal currency and reduce swelling.
3. The attraction of foreign direct investment on the one side to increase exports and reduce imports and thus current account surplus and capital inflows into the country and on the other side, an increase in the capital account surplus, which both caused a positive impact on the balance of payments surplus country.
4. Improved economic growth and increase employment and employment opportunities and reduce unemployment (especially of the type of structure).
5. Integration and communication between Iran and the international economy and boost competitiveness and competition between internal producers and increase efficiency and reduce production costs.

Solutions and strategies for systematic investment in Iran:

Investment strategies that should be pursued and followed by the government and other forces. These solutions include the following:

1. Safety and security and the economic stability for attracting internal investment (efforts to increase investment security through stable government policies)
2. Amendments to the provisions relating to trade with minimal restrictions and mechanisms of state control and also amend the laws relating to banking, trade and currency
3. Provides statistics and official information available and accurate and transparent and the labor force, infrastructure, and concessions to win the confidence of investors
4. The granting of tax exemption in the case of investment companies
5. The granting of customs exemptions for imports of inputs required for investment companies
6. Long-term investments in infrastructure and government should be complement private sector investment and foreign investment.
7. Create suitable structures, particularly economic infrastructure required for entry into the international economy, such as capital markets, convenient transportation systems, and communication and information systems

Conclusion:

One of the important factors in attracting investment is to achieve economic growth and development. If the investment in our country is assured international investors more willing to have a presence in the Iranian market. Attracting investment is a good opportunity to achieve benefits such as higher employment and lower unemployment, reducing internal inflation and use of knowledge and technology in the world and many other benefits. Therefore, we should the necessary conditions for the entry of foreign investors into the country. Legal and economic context should also be created to support investment. Attracting investors of the important requirements of security and economic and political stability, social and restrictive laws and regulations (customs, banking and insurance, etc.) to comply with the rules of international trade and the development of infrastructure and economic infrastructure in the country. Attracting investment should be directed to the sectors of the economy of the country has comparative advantage. In this context it should be the most desirable areas for investment identified. Sectors such as petrochemicals, agriculture and especially the tourism industry. Due to the strategic location of our country and of transit and access to international waters and abundant reserves of energy resources (oil and gas and ...) has a great advantage. So we should provide the right political, economic and social in order to attract investment. In order to attract investment, according to the following general tips and suggestions also seem necessary:

- 1- Avoidance of tension in international relations in order to gain investor confidence.
- 2-Identifying and respecting private property and prevent it from escaping and outflow of capital from the country.
- 3- Reducing the vast amount of bureaucracy and red tape and inefficient parallel.
- 4- Back Guarantee capital gains and return of principal and interest to foreign investors against unexpected events (war, earthquake, etc.)

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