The Memorandum of

THE FOREIGN TRADE REGIME OF

THE ISLAMIC REPUBLIC OF IRAN

MINISTRY OF COMMERCE

2009

TABLE OF CONTENTS

In the Name of God, the Merciful, the Compassionate

I. INTRODUCTION

The Islamic Republic of Iran's economy has undergone numerous upturns and downturns since the victory of the Islamic Revolution in 1979 and over the past two and a half decades. In the face of grave incidents such as international sanctions, freezing of its foreign assets, capital flight, the Iraqi-imposed war, soaring government expenditures, foreign exchange constraints, drastic national currency depreciation, high inflation rates and the exigencies of managing its war stricken economy in the 1980s, Iran was not in a position to formulate a regular, planned and long-term economic and trade policy. All economic policies and measures adopted were, therefore, geared to overcoming numerous crises plaguing the country.

As a result of the mitigation of critical situations, the termination of the Imposed War, the easing of some international sanctions, the relative stabilization of economic and commercial situation and the establishment of economic and commercial ties with several developed countries and above all, the establishment of a favourable climate for the formulation of a range of specific trade policies and relations, Iran's economy entered a new phase in the late 1980s following the launch of the First Five Year Economic, Social and Cultural Development Plan (Between the Iranian years 1368-1372 (March1989-March1994))[*] in particular, and managed to gradually overcome imbalances in different sectors in the context of the development plans and embarked upon a solid development path.

The implementation of two five-year development plans from 1989 to 1999, the development of production bases and the reconstruction of war-torn regions prepared the country's economy to enter a new stage requiring positive interaction with the world economy. The Third Five-Year Development Plan, (Between the Iranian years 1379-1383 (March 2000-March 2005)) founded on an outward-oriented development strategy and export promotion, was implemented with a view to meeting that objective and the adoption of various new legislation paved the way for the establishment of market economy principles and Iran's entry into the world economy.

The implementation of certain policies, such as the unification of foreign exchange rates, the adoption of the new Act on the Promotion and Protection of Foreign Investment, elimination of various import licensing requirements, tariffication of non-tariff barriers, regulation of state monopolies, promotion of a competitive environment for the private sector, removal of all barriers hindering the expansion of non-oil exports, establishment of private banks as well as private insurance firms, approval of a new tax law and the reduction of income tax rates levied on corporations, formulation of the Electronic Commerce Act and other similar measures have prepared the ground for the country's active participation in the multilateral trading system and benefiting from its capabilities.

Through the implementation of the above mentioned policies, in particular the Fourth Economic, Social and Cultural Development Plan (March 2005-March 2010), the I.R. Iran will experience the commencement of a new process which shall ultimately prepare it for the gradual entry into the multilateral trading system and the establishment of a systematic commercial relationship with the WTO members.

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[*] According to the official calendar of the Islamic Republic of Iran, the first day of the Iranian year corresponds to 21 March of the Gregorian calendar. For instance the Iranian year 1385 corresponds to 21 March 2006 - 20 March 2007. Since all statistics, data and estimations are based on the Iranian calendar, after all references made to Iranian years in this report, the corresponding Gregorian years have also been mentioned in parentheses.

II. ECONOMY, ECONOMIC POLICIES AND FOREIGN TRADE

1. Economy

A. General description (territory, population, economic specialization, main economic indicators)

A.1. Territory

The Islamic Republic of Iran is located in West Asia and the Middle East region. Its coastal borders include the Caspian Sea on the north and the Persian Gulf and the Sea of Oman on the south. On land, Iran is bound by Turkmenistan, Azerbaijan and Armenia on the north, Afghanistan and Pakistan on the east and Turkey and Iraq on the west. Iran has an area of 1,648,195 square kilometers and enjoys diverse climates.

A.2. Population

According to the latest census carried out in the Iranian year 1385 (2006), Iran's population stood at about 70 million, recording an average annual population growth rate of 1.6 percent between the Iranian years 1375-1385 (1996-2006). 68.5 percent of the population lives in urban areas and 31.5 percent in rural areas.

The drastic rise in the number of youths (resulting from the population boom in the 1980s) has posed serious challenges to the labour market and the relevant authorities and institutions are faced with increasing pressure to meet their socio-economic needs and demands.

A.3. Economic specialization

Iran's economy mainly consists of oil, agriculture, industry and mining and services sectors. The industry and mining sector is divided into three sub-sectors, namely; manufacturing and mining; electricity, gas and water; and construction. In the Iranian year 1383 (2004-2005), petroleum, natural gas and oil products accounted for 72.2 percent of the total merchandise and services exports and 81.4 percent of the total merchandise exports of Iran. Table 1 shows the share of each sector in the GDP between the Iranian years 1376 and 1384 (1997- 2005) at current prices.

A.4. Main Economic Indicators

In the Iranian year 1384 (2005-2006), the Gross Domestic Product (GDP) of Iran stood at 419,705 billion Rials at constant prices of the Iranian year 1376 (1997-1998), thus indicating an annual growth of 5.4 percent. Iran’s foreign trade reached 122.1 billion USD in the same year, which indicates a 21 percent growth rate against the preceding year. The non-oil exports of Iran recorded a 48.4 percent growth rate in the Iranian year 1384 (2005-2006) and reached 11, 189,000,000 USD.*

*In the Iranian year 1385 (2006-07), the approximate exchange rate of US Dollar to Iranian Rial was 1USD=9000Rls.

Table 1: Percentage shares of main economic sectors in the GDP at current prices for the Iranian years 1376-1384 (1997-2005)

Year	GDP at basic prices (at current prices) (billion Rls.)	Oil	Agriculture	Industry and mining			Services
				Manufacturing and mining	Electricity, gas and water	Construction	
1376 (1997-98)	291769	14	14.8	14.5	1	4.5	52.4
1377 (1998-99)	328522	8.6	17.3	13.9	1	4	56.4
1378 (99-2000)	343385	14.6	15.1	13.6	1	4.1	53.2
1379 (2000-01)	576493	17.6	13.7	13.7	1.5	3.9	51.2
1380 (2001-02)	664620	15.1	12.8	14.1	1.7	4.5	53.2
1381 (2002-03)	917035	22.9	12	12	1.5	5	48.3
1382 (2003-04)	1095303	22.9	12	11.9	1.5	4.6	48.9
1383 (2004-05)	1384819	25	11.2	11.9	1.5	4.4	48.2
1384 (2005-06)	1691814	27.9	10.4	11.3	1.3	4.1	47.3

The figures for the last year are not final.
The difference between GDP and the total value added in the sectors relates to the calculation of wages.

B. Current economic situation

In the Iranian year 1384 (2005-2006), the GDP of Iran was approximately 1,691,814 billion Rials at current prices and experienced an average growth rate of approximately 5.5 percent between the Iranian years 1379-1383 (2000-2005) (at constant prices of the Iranian year 1376 (1997-1998)).
In the Iranian year 1383 (2004-2005), Iran's national per capita income was 5518 thousand Rials, at constant prices of the Iranian year 1376 (1997-1998). According to the available statistics, the share of non-oil sectors in the GDP was 75 and 72.1 percent for the Iranian years 1383 (2004-2005) and 1384 (2005-2006) respectively.
Recording a share of 48.2% and 47.3% at current prices in the Iranian years 1383 (2004-2005) and 1384 (2005-2006) respectively, the services sector boasts the largest share in the GDP among the non-oil sectors. In the Iranian year 1383 (2004-2005), the share of consumption expenditures in the GDP was approximately 57%, at market prices. In the Iranian year 1384 (2005-2006), the share of private consumption in the GDP increased by 6.6% at constant prices of the Iranian year 1376 (1997-1998) against the preceding year.
In the Iranian year 1384 (2005-2006), the share of gross fixed capital formation in the GDP was 27.4%, at current prices, and the share of gross fixed capital formation in machinery in the GDP was 16.6% at market prices. The average share of gross fixed capital formation in the GDP between the Iranian years 1379-1383 (2000-2005) was

28%, at current prices. In the Iranian year 1384 (2005-2006), the gross fixed capital formation increased by 5.8%, at constant prices of the Iranian year 1376 (1997-1998). This was while the gross fixed capital formation increased by 9.5% in the period covered by the Third Five Year Development Plan (the Iranian years 1379-1383 (2000-2005)).

Oil and gas export revenues in the Iranian years 1383 (2004-2005) and 1384 (2005-2006) accounted for 83% and 81.4% of the total export revenues respectively.

Inflation rate was reported at 15.2% and 12.1% for the Iranian years 1383 (2004-2004) and 1384 (2005-2006) respectively. The average rate of inflation was 14.1% for the period covered by the Third Five Year Development Plan.

Based on the findings of the samplings of the Statistical Center of Iran, the unemployment rate in the last quarter of the Iranian year 1383 (December 22, 2004-March 20, 2005) was 10.3%. This figure was estimated to be 12.1 percent in the last quarter of the Iranian year 1384 (December 22, 2005-March 20, 2006).

In the Iranian years 1381 (2002-2003) and 1382 (2003-2004), and 1383 (2004-2005), the ratio of the expenditures of the first income decile (the most affluent) to the last income decile (the poorest) was respectively 17.1%, 16% and 14.4% in urban areas.

2. Economic policies

A. Main directions of the ongoing economic policies, tactical and strategical goals of the economic policies, pricing policy, economic development plans, privatization plans, sectoral priorities, regional development plans, etc.

A.1. Main directions of the ongoing economic policies, tactical and strategical goals of the economic policies

In November 2004, the Government of the Islamic Republic of Iran promulgated its Fourth Five Year Development Plan Act to be implemented in the Iranian years 1384-1388 (2005-2009). The Act includes sectoral, special (trans-sectoral) and provincial development instruments. The main directions of the economic policies of Iran under the Fourth Development Plan are as follows:

1. Growth of national knowledge-based economy in interaction with the global economy,
2. Environmental protection, spatial planning and regional balance,
3. Promotion of health, human security and social justice,
4. Preservation of the Iranian-Islamic identity and culture,
5. Maintenance of national security, and
6. Modernization of the government and promotion of effective governance.

The 2025 Vision of the Islamic Republic of Iran envisions the economic, social and cultural status of Iran within a twenty-year period. The 2025 Vision stresses that, in preparation, formulation and approval of development plans and annual budgets it should be ensured that their macro quantitative indicators such as investment rate, per capita income, gross domestic product, employment and inflation rates, narrowing the income gap between the first and the last income deciles of the population, cultural, educational and research growth and enhancement of defense and security capabilities are set in line with development policies and the objectives and requirements of the twenty-year vision and that these policies and objectives are fully observed.

In line with the twenty-year vision, the most important tactical and strategic goals of the economic policies under the Fourth Development Plan in terms of economic, social, cultural and management indices are provided in Table 2.

Table 2. Economic, social, cultural and management indices provided in the Fourth Development Plan, the Iranian years 1384-1388 (2005-2009)

Average growth (target) Iranian years 1384-88 (2005-2009)	Average growth (realized) Iranian years 1370-80 (1991-2001)	1- Economic indices (percent)
8	3.9	GDP growth
12.2	4.3	Investment growth
1.4	1.5	Population growth
3.5	1.3	Labour productivity growth
10.7	5.6	Non-oil export growth
20	27.3	Broad money growth
9.9	23	Inflation rate
8.4 (2009)		Unemployment rate
2009 (end year of the Fourth Plan)	**Current situation**	**2- Cultural, research and technological indices**
0.45	0.26	Technology access index
2.5	0.87	Ratio of research expenditures to GDP
6	2	Ratio of high-tech exports to total non-oil exports
2009	**2001**	**3- Social indices**
14	19.4	Ratio of the expenditures of top 10% to bottom 10% households
0.38	0.43	Gini coefficient
800	423	Social welfare index
7	15	Population below the poverty line (the middle 50%)

A.2. Pricing policy

During the eight-year Iraqi-imposed war (1980-1988), most of the domestically-produced or imported products, especially staple commodities, were subject to rationing. Goods distributed among consumers under the rationing system, were priced on the basis of the official exchange rate and in accordance with accounting methods.

Since the late Iranian year1368 (early 1990) and with the changing economic situation, the pricing mechanism of domestically-produced and imported products was reformed and a significant portion of goods was exempted from the official exchange rate arrangements, pricing mechanism and distribution controls. As per Article 39(c) of the Fourth Development Plan Act, pricing shall be confined to the public and monopoly goods and services as well as basic commodities.

At present the pricing system operates as follows:

A. Guaranteed purchase of some agricultural products.

(Please refer to Section "IV-4-E" on Internal Policies Affecting Foreign Trade in Agricultural Products).

B. Payment of consumption subsidies for a number of products.

The purpose of this kind of subsidization is to provide staple commodities required by the people in order to protect the vulnerable and low income households. In this category, the estimated subsidies are proposed by the relevant government agencies to the Management and Planning Organization. The total amount of subsidies as determined in the Annual Budgetary Act is then to be approved product specific by the Council of Economy or the High Council of Welfare and Social Security as the case may require. The amounts allocated by the Management and Planning Organization are then collected by the "Organization for the Protection of Consumers and Producers " from the Treasury General and paid to the relevant government agencies according to the decisions of the Council of Economy.
The major products which have been subject to consumption subsidies in the Iranian year 1385 (2006-2007) include wheat and wheat flour, paper for press, rice, vegetable oil, sugar, milk, cheese and washing powder.
C. Pricing of certain basic goods and services.
According to a 6 May 2001 decision of the Council of Ministers, staple commodities and sensitive and essential goods and services subject to pricing policies, are divided into the following two categories:
The first category includes products and services which are priced by the Council of Economy, following the examination of the Organization for the Protection of Consumers and Producers. Wheat, sugar, vegetable oil, subsidized milk, washing powder, paper for publication and for writing, tobacco, batteries for vehicles (produced by the government companies), engine oil, petrochemical products, water, electric power, piped gas and liquid gas for households and guilds, telephone and postal services, and medical and hospital services make up the major goods and services in this category. The second group includes products which are directly priced by importers or producers according to the directives of the Organization for the Protection of Consumers and Producers. Such products include primary materials necessary for the production of the goods in the first category, primary materials for pencil, pen and notebooks used by students, primary material for tires for vehicles, yeast and improvers, propylene sacks, cement, glass, gas cylinders for household use and liquid gas distribution services, and all non-subsidized milk products, the prices of which shall include the real production and importation costs as well as a fair profit margin are calculated and declared. The profit margins are determined by the "Price Determination and Stabilization Panel" from 15 to 30 percent for domestically produced goods and ranging from15 to 35 percent for domestically produced services. The profit margins of the imported goods, which are determined by the said Panel, range from 10 to 18 percent depending on the kind and importance of the goods.

A.3. Economic development plans

The first economic development plan in Iran dates from the Iranian year 1327 (1948). From 1948 to 1979 (corresponding with the date of the victory of the Islamic Revolution) five development plans were formulated and implemented. Under these development plans, specific objectives were set for different economic sectors, such as agriculture, industry, services and oil, social sectors such as education, health and other social affair chapters, and public affairs such as utilities, and special development funds were earmarked for them under the annual budget acts.
Due to the volatile political situation, the implementation of economic development plans was suspended following the victory of the Islamic Revolution in 1979 until the end of the Iraqi-imposed war. The First Economic, Social and Cultural Development

Plan of the Islamic Republic of Iran took effect in the Iranian year 1368 (1989) for a five-year period.
The Second Development Plan addressed some of the failures and shortcomings of the First Development Plan and policies were revised with a view to overcoming those shortcomings. However, the main policy directions of the First Plan continued under this plan.
The performance of the Second Plan demonstrated that the quantitative objectives of this plan did not fully materialize. Table 3 indicates the status of three indices namely average GDP growth rate, average inflation rate and average investment growth rate during the implementation period of the Second Development Plan and the targets of the Plan under each item.

Table 3: Status of three main economic indices under the Second Development Plan and their comparison with the targets of the Plan (percentage)

Target	Performance	Economic Index
5.1	3.3	Average GDP growth rate
12.4	25.1	Average inflation rate
6.2	8	Average investment rate

Overall, with the exception of the services sector, the Plan was short of meeting its targets in all other sectors.
The Third Economic, Social and Cultural Development Plan covered the 2000-2004 period.
Table 4 shows the realization of the Third Development Plan in relation to some of the most important economic indices.
The Fourth Economic, Social and Cultural Development Plan (the Iranian years 1384-1388 (2005-2009)) became effective in 2005. The target average annual GDP and non-oil export growth rates for the period covered by the Plan have been set at 8% and 10.7% respectively. Given such a growth rate, the share of non-oil exports in total exports will increase from 23.1% in 2003 to 33.6% by the end of the Plan (2009).

A.4. Privatization plans

Privatization was initially addressed in the First Development Plan. According to a Government decision adopted in the Iranian year 1370 (1991), state enterprises became subject to transfer, taking into account the provisions of Principle 44 of the Constitution. Transfer of ownership, transfer of management and transfer of some of the functions of corporations were considered as methods of transfer, and stock exchange market formula (as the first priority), tender and negotiation were used as means of transfer.
Between the Iranian years 1374-1378 (1995-1999), and in accordance with Note 41 of the Second Development Plan Act, the Government was required to transfer parts of governmental activities to the private and cooperative sectors, with a view to facilitating the participation of the private and cooperative sectors, consistent with Principle 44 of the Constitution. The Iranian year 1374 (1995) was a turning point for Tehran Stock Exchange Market in terms of growth and prosperity. The volume of transactions and subsequently the supply of governmental stocks experienced a significant growth in this year. Following the adoption of Note 35 in the annual Budget Acts of the Iranian years1377 (1998-1999) and 1378 (1999-2000), the volume of transfers also increased significantly. Overall 4890.7 billion Rials of the stocks of state enterprises were sold between the Iranian years1374 (1995-1996) and 1378

(1996-1997) and 85.62 percent of all transfers were conducted through stock exchange market, 6.58% through tender and 7.79% through direct negotiations.

Table 4: Status of some of the main economic indices during the Third Development Plan and their comparison with the targets of the Plan

1383(2004-05)		**1382(2003-04)**		**1381(2002-03)**		**1380(2001-02)**		**1379(2000-01)**		**Economic indices**
target	**realized**	**target**	**realized**	**target**	**realized**	**target**	**realized**	**target**	**realized**	
6.8	4.8	6.7	6.8	6.5	7.6	5.5	3.3	4.5	5	Total GDP Growth (percentage)
7.1	5.1	6.8	6	7.2	8.1	7	5.5	5.9	4.5	excluding oil
6.8	2.2	6.2	7.1	4.9	11.4	4.5	-2.3	3.9	3.5	Agriculture
0.5	2.6	0.5	13.4	0.5	3.6	0.5	-11.1	10.2*	8.3	Oil and gas
10.2	8.4	8.5	7.8	8.2	12.6	7.7	10.2	6.4	9.5	Industry and mining
7.8	4.6	7.1	4.7	6.4	5.4	5.9	5.7	4.2	2.9*	Services
3.4	7.3	3.2	4.4	3.2	9.8	2.7	4.1	3.8	8.2	2.Consumption expenditure growth (percentage)
3.7	8.6	3.5	5.3	3.5	11.7	3.4	4.4	3.3	7.2	Private consumption
1.9	1.3	1.5	0.6	1.5	2.2	-0.3	2.6	6.1	12	Government consumption
9.3	7	7.9	10.8	7.3	12	6.9	14.2	6	4.1	3-Total investment growth (percentage)
N. A.	12.9	9.6	12	9.7	11.1	9.5	18.3	6.1	7.7	Private investment
N. A.	-5.2	4.7	8.3	3.3	13.9	2.8	6.6	5.6	-1.9	Government investment
13	15.2	14	15.6	15.2	15.8	17.4	11.4	19.9	12.6	4- Inflation rate (percentage)
962000	619000	872000	691000	809000	712000	684000	440000	499000	439000	5- Creation of job opportunities
25735.8	50757	22648.8	40240	21246	33262	21837	27392	19809	30473	6- Total export of goods and services($million)
15082.5	36315	14578.8	27355	14058	22966	15864	19339	14500	24280	Oil exports
8353	7537	5970	6636	5288	5271	4273	4565	3809	4181	Non-oil exports
2300	6905	2100	6249	1900	5025	1700	3488	1500	2012	Export of services
28303	50115	26517.8	40345	23824	30564	22289	22112	21819	18583	Total import of goods and services ($million)
23818	38199	22314.8	29561	19909	22036	18625	18129	18361	15086	Import of goods
4487	11916	4203	10784	3915	8528	3664	3983	3658	3497	Import of services

Chapters 2 and 3 of the Third Development Plan Act include 23 Articles on the regulation of state enterprises and transfer of their stocks. These two chapters provide for the selection of related policy-making and executive bodies for the purpose of the regulation of state enterprises and transfer of governmental stocks. In this respect, some arrangements and measures have been provided for, which are briefly described below:

—Designation of a policy-making body for the privatization plan (Supreme Board of Transfer) provided by Article 12 of the Third Development Plan Act.

—Establishment of the Privatization Organization as the executive organ of the privatization plan, which acts on behalf of state enterprises designated for transfer, as provided by Article 15 of the Third Development Plan Act.

—Regulation of state enterprises under specialized parent companies and transfer of affiliated corporations by such companies. Overall, the total volume of transfers conducted under the Third Development Plan until the end of the Iranian year 1382 (March 2004) was above 14600.2 billion Rials.

Table 5 indicates the value of stocks transferred between the Iranian years 1370 (1991-1992) and 1384 (2005-2006), based on the three forms of transfer.

Paragraph B of Article 16 of the Third Development Plan Act authorizes state telecommunication companies to transfer some of their functions with regard to maintenance and operation, designing, engineering, installation and operation, testing and delivery of equipment and networks to private and cooperative sectors.

Table 5: Performance of state enterprises stock sales _ the Iranian years 1370 (1991-1992) and 1384 (2005-2006), based on the three forms of transfer (in billion Rials).

Total	Negotiation	Auction	Stock Market	year
265.6	14.6	18.2	232.8	1370 (1991-92)
238.8	71.1	47.1	120.6	1371 (1992-93)
287.6	75.3	38.6	173.7	1372 (1993-94)
923.7	533.2	126.7	263.8	1373 (1994-95)
516.3	202.4	000	313.9	1374 (1995-96)
1091	141.3	8.8	940.9	1375(1996-97)
173.4	37.5	20.3	115.6	1376 (1997-98)
762	000	18.7	743.3	1377 (1998-99)
2348	000	274.2	2073.8	1378 (1999-2000)
1722.3	000	176.5	1545.8	1379 (2000-01)
201	000	000	201	1380 (2001-02)
3005.6	000	1112.1	1893.5	1381 (2002-03)
9671.32	000	2064.8	7606.52	1382 (2003-04)
6992.99	000	606.1	6386.9	1383 (2004-05)
4263.1	000	311.1	526.8	1384 (2005-06)
32462.7	1075.4	4823.2	23138.9	Total
100*	3.3	14.9	71.2	Ratio to total (%)

* The difference between the total amount and the amounts relating to the value of the stock transferred through the stock exchange and tender corresponds to the transfer of Adaalat Stocks (Stocks of Justice) which is 3425.2 billion Rials. Adaalat Stocks (Stocks of Justice) are stocks transferred by the Government through a special mechanism to the people who are in the three lowest income deciles.

Conforming with Principle 44 of the Constitution, Article 6 of the Fourth Development Plan Act (the Iranian years 1384-1388 (2005-2009)) also authorizes the Government to take all possible measures, including deregulation, transfer of management and ownership, disbandment with a view to transferring, liquidation and merger of corporations, to advance privatization and empowerment of the non-governmental sector.

According to Article 44 of the Constitution, the I.R. Iran's economy consists of public, cooperative and private sectors. The public sector includes large-scale and major industries, mines, dams and supply of power, large irrigation systems, foreign trade, radio and television, banking, insurance, post, telegraph and telephone, aviation, shipping, roads, railways and the like. In 2006, the Supreme Leader promulgated the General Policies Concerning Article 44 of the Constitution with a view to the privatization and assignment of government economic activities in the above-mentioned fields to cooperative and private sectors. In order to precisely operationalize these policies, the Act on the Amendment of Certain Articles of the Fourth Development Plan Act and Implementation of the General Policies Regarding Article 44 of the Constitution was ratified by the Islamic Consultative Assembly and notified for implementation by the Government in 2008. Accordingly, economic activities in the I.R. of Iran (including production, purchase or sale of goods or services) are divided into three categories: 1. all economic activities except those mentioned in the second and third categories, 2. economic activities enunciated in the first part of Article 44 of the Constitution except those described in the third category, and 3. activities pertaining to the backbone telecommunication networks and radio-frequency allocation; basic networks of mail processing and distribution as well as management of postal services; confidential or essential products needed by military, disciplinary and security organizations at the discretion of the Commander-in-Chief of the Armed Forces; extraction and production of crude oil and gas; oil and gas reserves; Central Bank, Bank Melli Iran, Bank Sepah, Bank of Industry and Mine, Export Development Bank, Bank of Agriculture, Bank Maskan (Housing) and Cooperatives Development Bank; Central Insurance and Iran Insurance Company; main power (electricity) transmission grids; Civil Aviation Organization and Ports and Maritime Organization; dams and large irrigation systems; and radio and television. In accordance with the same Act, ownership, investment and management in activities falling under category 1 above shall be prohibited for the Government, which is also obliged to assign its activities in this category to private, cooperative and public sectors by the end of the Fourth Development Plan. With respect to the second category-except roads and railway- the Government is obliged to transfer 80 percent of the total value of the shares of governmental companies to private, cooperative and non-governmental public sectors. Finally, investment, ownership and management in activities falling under category 3 shall be the monopoly of the State.

A.5. Sectoral priorities

The existing laws, especially the Fourth Development Plan Act, include certain regulations providing for the promotion of certain economic sectors, some of which are as follows:

—Paragraph A of Article 10 of the Fourth Development Plan Act provides that as of the beginning of the Fourth Development Plan, any quota allocation of bank facilities (based on different economic and regional sectors) and sectoral and regional priorities shall be conducted upon the approval of the Council of Ministers, through encouraging the banking system using cash subsidies and administered funds.

—Subparagraph 2 of Paragraph C of Article 10 of this Act provides that at least 25 percent of all loans granted by banks, in coordination with the related administrative organs, shall be allocated to agriculture and water sectors during the Fourth Development Plan period.

—Article 11 of this Act also provides that 3 percent of the required reserves of banks, based on the percentage requirement effective in the Iranian year 1383 (2004-2005), deposited with the Central Bank, shall be made available to Bank Keshavarzi (Agriculture Bank), Bank Maskan (Housing Bank) and Bank Sanat-o-Madan (Industry and Mining Bank) (each bank 1%) with a view to financing non-governmental sector projects in agriculture and farming, construction and housing, completion of industrial and mining projects, the major characteristic of which is to generate employment.

—Subparagraph 4 of Paragraph F of Article 21 provides that with a view to creating higher value added and further exploitation of natural gas reserves in the process of industrial and mining development, the Government is authorized, consistent with the approved ceilings provided by Article 13 of the Plan Act concerning the regulation of foreign exchange dues, to obligate up to $9 billion for the development of export-oriented and energy-intensive industries enjoying comparative advantage.

—In order to modernize and streamline trade and raise the country's share in the world trade, Article 33 of this Act also requires the Government to increase the capital of the Export Guarantee Fund, finance the margins of subsidized credit rates, and expand the insurance coverage for the exported goods and services including, in particular, technical and engineering services, in the target countries. The imposition of tax and duties on exports of non-oil goods and services is also prohibited during the Fourth Development Plan. However, for the protection and efficient utilization of resources, the Government is authorized to levy and collect special fees on the exports of unprocessed commodities.

A.6. Regional development plans

Regional planning was non-existent in all five development plans prior to the Islamic Revolution of 1979. Following the Islamic Revolution, the issue received attention, but no practical action was taken to that end until the Third Development Plan became operational.

Under the Third Development Plan, government revenues were classified into national and provincial levels and provinces were authorized to promote their revenues and utilize them for provincial development. Provincial officials and institutions were also entrusted with the necessary authority in line with provincial development plans (Articles 70 through 82 of the Third Development Plan Act). Provincial Planning and Development Councils, headed by provincial governors, are responsible for considering and approving long-term and mid-term provincial development plans and investment priorities in line with the general guidelines and macro and sectoral policies. Specialized committees have also been established for these purposes.

A comparison between the existing system in recent annual budgets and during the Third Development Plan indicates a significant increase, i.e. a growth rate of 69% in provincial revenues or, in other words, an increase from 9333 billion Rials in the Iranian year 1378 (1999-2000) (the final year of the Second Development Plan) to 15772 billion Rials in the Iranian year 1381 (2002-2003). This has resulted in an increase in the share of provincial revenues in total public revenues (less oil) from 13.64% in the Iranian year 1378 (1999-2000) to more than 19% in the Iranian year 1381 (2002-2003). Accordingly, the share of provinces in the total public investment increased from 10% in the Iranian year 1378 (1999-2000) to 22.7% in the Iranian year 1381 (2002-2003). The general features of the provincial revenue and expenditure system provided under the Third Development Plan Act (Articles 70 to 77) have also been revalidated by the Fourth Development Plan.

Chapter 6 of the Fourth Development Plan Act, entitled "Spatial Planning and Regional Balance" also deals with regional development. Article 72 thereof provides that in order to facilitate an appropriate distribution of population and activities throughout the territory, the Government is required to implement the national spatial planning including at all macro, sectoral and provincial levels, taking into account the studies conducted in this regard. According to Article 74 of this Act, while updating the national spatial planning in light of the global, regional and technological developments, the Government is required to use this Act as a main reference for inter-sectoral, inter-regional and sectoral-regional coordination in executive decisions.

B. Monetary and fiscal policies

B.1. Fiscal policy

Two main sources are normally used for examining the fiscal policy of Iran: first, the five-year development plans which provide for general policies and approaches for a five-year period; and second, annual budgets which offer a more operational view of the fiscal policy for a short (i.e. one year) period.

This section reviews the main directions of fiscal policies under the Fourth Development Plan. Short-term fiscal policies and approaches are discussed under the annual budget Acts and budget performance.

B.1.1. The Fourth Economic, Social and Cultural Development Plan Act

- In order to stabilize the spending of the oil export-earned foreign exchange during the Fourth Development Plan and to convert the assets earned from oil exports into other forms of reserves such as investment, and to actualize the activities provided for by the Plan Act, while requiring the Government to establish “The Oil-Export Earned Foreign Exchange Reserves Account", Article 1 of the Fourth Development Plan Act limits withdrawal from this Account for financing the general expenditures to cases where foreign exchange earnings from oil exports do not meet the figures projected under this Act and where approved allocations cannot be financed through other sources of public revenue and transfer of financial assets. This Article also precludes withdrawal from the Foreign Exchange Reserves Account for meeting deficits resulting from non-oil revenues provided for in the public budget.

According to this Act, the share of non-governmental sector projects relating to production and entrepreneurship in the fields of industry and mining, agriculture, transportation, services, information technology and technical and engineering services is at maximum equivalent to 50% of the balance of the Foreign Exchange Reserves Account.

- The Government is also required by Article 2 of this Act, to increase the share of non-oil public revenues in financing expenditure credits, in a manner that by the end of the Fourth Development Plan, public expenditure credits are fully met through tax revenues and other non-oil revenues. This Article also precludes financing budgetary deficits through borrowing from the Central Bank of the Islamic Republic of Iran and the banking system.
- Article 4 of the Fourth Development Plan Act prohibits any discount, preference or waiver in favor of any natural and legal persons including state enterprises with respect to receivable taxes (direct or indirect) and import duties during the period covered by this Plan, other than those provided for by other relevant laws .
- with a view to continuing the privatization plan and empowering the non-governmental sector in the development process, Article 6 of the Fourth Development Plan Act authorizes the Government to employ every possible method, including deregulation, transfer of management (such as leasing, general contracting and management contract) and ownership (such as lease-purchase, sale of all or part of stocks, transfer of assets) to transfer, liquidate or merge state enterprises.

Also, in order to reduce the Government role in the economy and to promote public participation in the administration of the country, the Fourth Development Plan Act provides for the following:

- The share of the Government in revenues derived from the sale of state enterprise stocks shall be reduced from 50% to 30%. This would make 70 percent of the proceeds from the sale of stocks available to be spent on the modernization and reformation of the structure of state enterprises and the empowerment of the private and cooperative sectors in economic activities.
- The Government has been mandated to prepare a Competition Facilitation and Antitrust bill in regard to those economic fields which are subject to natural or legal monopolies and where new monopolies emerge as a result of the development of network economy and information and communication technologies, taking into account the rights of citizens.
- In order to reduce Government involvement in the economic activities and to promote public participation in the administration of the country, executive organizations are required to forgo three percent of their social, cultural, production,

service and similar responsibilities annually, and utilize those resources for the development of non-governmental sector.
- By the end of the Fourth Development Plan, the ratio of state enterprise budgets and the total Government budget to the Gross Domestic Product shall be reduced by a minimum of 2 percent each year.
Under the Third Development Plan Act, the Direct Taxation Act was also reformed. Some of the most important changes brought about in the taxation system include the reduction of the number of income categories liable to taxation from 9 to 5 categories and the reduction of tax rates in each category. Except for cases where different rates are applied, current income tax rates for natural persons provided by Article 131 of the Direct Taxation Act are as indicated in Table 6.

Table 6. Income tax rates levied on natural persons

Annual tax rate	Income group subject to taxation
15%	-up to 30,000,000 Rials of income subject to taxation
20%	-up to 100,000,000 Rials of income subject to taxation, with respect to the amount above 30,000,000 Rials
25%	-up to 250,000,000 Rials of income subject to taxation, with respect to the amount above 100,000,000 Rials
30%	-up to 1,000,000,000 Rials of income subject to taxation, with respect to the amount above 250,000,000 Rials
35%	-with respect to the amount above 1,000,000,000 Rials

Conforming with Article 105 of the Direct Taxation Act, except for cases where different rates are provided by this Act, the tax rate levied on the total corporate income and income gained from profitable activities of other legal entities (whether Iranian or foreign) operating in Iran or abroad is 25 percent upon the calculation of losses and the deduction of anticipated exemptions.
In Iran the transfer of land, not the land itself, is subject to taxation.

As regards indirect taxes, Value Added Tax Act (VATA) was put into effect since mid-year 1387 (2008). This Act has substituted all previous laws and regulations dealing with indirect taxes. According to the VATA, supply of commodities and services, as well as their imports and exports, shall be subject to the provisions of this Law. Articles 12 and 13 stipulate that supply and importation of some commodities and services including the following shall be exempt from the VATA:

a) Unprocessed agricultural products;
b) Livestock and live poultry, aquatic products, honey bees and silkworms;
c) All types of fertilizers, pesticides, seeds and saplings;
d) Bakery flour, bread, meat, sugar, rice, cereals and soya, milk, cheese, shortening and baby formula;
e) Books, press, notebooks and all types of printing papers, writing pads and papers and press papers;
f) Passenger goods for personal use, as exempted under the Export-Import Regulations ;
g) Immovable property;
h) All types of medicine, medical consumables, medical services (human, animal or plant) as well as rehabilitation and other supportive services;
i) Services subject to payment of salary taxes envisaged in the Direct Taxation Law;

j) Banking and credit services rendered by banks, credit institutes and cooperatives, authorized interest-free loan funds and cooperative funds;
k) Public transportation services and urban and inter-city roads, railway, air and sea passenger transport services;
l) Hand woven carpets;
m) All types of research and training services, as stipulated in a By-Law to be approved by the Council of Ministers;
n) Animal and poultry feed;
o) Export of goods and services from official exit points. Any tax paid on account of such exports shall be reimbursed (as regards commodities) upon submitting a certification of the customs certifying the export of goods.

According to article 16 of this Act, the VAT rate is 1.5 percent, but the VAT rates of certain goods such as "cigarettes and tobacco products" and "gasoline and jet fuel" are respectively 12 and 20 percent.

In addition to the VAT rates just mentioned, article 38 of VATA levies the following duties on goods and services which are subject to this Act:
a) 3 percent on all types of cigarettes and tobacco products;
b) 10 percent on all types of petrol (gasoline) and jet fuel;
c) 10 percent on kerosene and gas oil;
d) 5 percent on fuel oil; and
e) 1.5 percent on all other goods and services.

B.1.2. Fiscal policy under annual budgetary acts

Since 2002, the latest IMF Guidelines on government financial statistics have been used as a model to prepare annual budgetary acts. Accordingly, revenues are classified into “taxes and other revenues”, and “oil sales” which had earlier been classified as revenue are now referred to as "transfer of capital assets". Under this classification, government expenditures are divided into two headings; namely expenditure payments (corresponding to current expenditures) and acquisition of capital assets (corresponding to development expenditures). Therefore, operational balance is the result of the difference between expenditure payments and receipts, and the net transfer of capital assets is the product of the sum of transfer and acquisition of capital assets. According to this guideline, "operational and capital balance" consists entirely of “the net transfer of financial assets”.

It is worth mentioning that the budgeting method and the way scarce financial resources are allocated to various activities, plans and projects designated by the economic development plans, play a pivotal role in achieving targets of development plans and avoiding deviations from the targets; therefore, many steps have been taken to build up the infrastructure required to establish a performance budgeting system.

B.1.3. The Budgetary Act of the Iranian year 1387 (2008-2009)

According to the Budgetary Act of the Iranian year 1387 (2008-2009), the total budget for that year amounted to 2,938,845,943,000,000 Rials, in terms of resources.

In the Iranian year 1387 (2008-2009), the resources of the government general budget comprising revenues, transfer of financial and capital assets and the government general consumption comprising expenditure payments and acquisition of capital and financial assets amounted to 939,122,762,000,000 Rials. The budget for state enterprises and banks as well as government-affiliated profit institutes in terms of revenues and other resources of financing as well as in terms of expenditures amounted to 2,032,025,361,000,000 Rials. Table 7 shows the financial situation of the Government in the Iranian year 1387 (2008-2009).

Table 7. Financial situation of the Government (except for revenues and special payments) (In billion Rials)

year	**Year**	**Revenues and payments**
1386 (2007-08) (realized)	**1387 (2008-09) (approved budget)**	
298203.1	338753.1	Revenues
191815.3	217155	Tax revenues
106387.8	121598.1	Other revenues
421334.1	621126	Expenditure payments (current)
-123131	-282372.9	Operational balance
174791.8	301960.6	Transfer of capital assets
173519.1	298865.6	Oil and oil products
1272.7	3095	Others (value of movable and immovable properties)
147715.8	251573.8	Acquisition of capital assets (development)
27076.1	50386.8	Net transfer of capital assets
-96054.9	-231986.1	Operational and capital balance*
156614.1	267771.6	Transfer of financial assets*
60559.2	35785.5	Acquisition of financial assets
96054.9	231986.1	Net transfer of financial assets

* Operational and capital balance is the product of the sum of the operational balance and the net transfer of capital assets, and the net transfer of financial assets is formed by the balance of the transfer of financial assets and acquisition of financial assets.

B.2. Monetary policy

After the Islamic Revolution, a structural transformation took place in the money and banking sector and the usury-free banking system replaced the conventional one. According to Article 3 of the "Usury-Free Banking Operations Act", banks in Iran can accept deposits in the following forms:

a. interest-free loan deposits (where no interest is accrued to the bank accounts) in current or saving accounts;

b. term investment deposits (to which a predetermined provisional profit is paid).

In Iran's system of monetary and banking decision making, the Central Bank of the I. R. Iran is in charge of implementing the policies laid down by the Council of Money and Credit[1]. Each year, when the Annual Budget is being drafted by the Government, the details of the monetary policy are submitted by the Central Bank to the Council of Money and Credit. The major elements of the monetary and credit policy are to be approved by the Council of Ministers. This whole procedure is based on Article 19 of the Usury-Free Banking Operations Act, according to which, the policies for granting short-term (one year) loans and credits shall be proposed by the General Assembly of the Central Bank and approved by the Council of Ministers. The policies for long-

[1]Among the functions of the Council of Money and Credit, are determination of credit ceilings, inter-sectoral allocation of banking system credits and the determination of the profit rate for loans granted to various sectors. As the allocation of credits is carried out based on the economic policy priorities determined by the Council of Money and Credit, and as the profit rates on loans granted to various sectors are not the same, it can be argued that a certain kind of credit quota allocation is applied in the monetary policy.

term (five year) loans and credits shall be presented for approval to the Parliament, within the framework of the long-term and five-year development plans.
Building upon the experience gained through the implementation of the monetary policies of the First, Second and Third Development Plans, the Fourth Development Plan has taken the following approaches as regards the monetary policies.
- Since the beginning of the Fourth Development Plan, any kind of allocation of banking credits and loans (among various economic sectors or different regions) and prioritizing among such sectors or regions are to be done upon the approval of the Council of Ministers and through encouraging the banking system using cash subsidies and administered funds.
- The profit rate of bank facilities for all regions, economic sectors, and natural or legal entities throughout the Fourth Development Plan, will be determined by the banks, within the framework of the monetary policies approved by the Council of Money and Credit, and consideration of any kind of priority by the Government shall only be done through granting cash subsidies and administered funds.
- In order to achieve economic growth, to control the inflation, and to improve the productivity of the financial resources of the banking system, the level of the Government debt to the banking system shall be reduced during the Fourth Development Plan, through providing for specific amortizations in the annual budgets.
- The balance of scheduled facilities of the banks shall be reduced during the Fourth Development Plan annually by 20% of the approved figure for the Iranian year 1383 (2004-2005).
- The Government shall start establishing the electronic banking system and introducing national and international money transfer and other banking services for all customers of all Iranian banks.
- In order to implement the monetary policies, the Central Bank is authorized to use participation papers and other similar means upon approval of the Parliament.
- Three percent of the legal reserves at the banks in the Central Bank (calculated on the basis of the deposits in the Iranian year 1383 (2004-2005) shall be allocated to Keshavarzi (Agriculture), Maskan (Housing), Sanat-o-Madan (Industry and Mining) Banks in order to be used in granting facilities for those agricultural and animal husbandry, housing and construction, and industrial and mineral projects of the non-government sector whose major characteristic is the creation of employment.
- Since October 2004 the ratio of legal reserves of the banks and credit institutions (except for specialized banks) to their total deposits has been set at 17 percent.

Monetary policy in the annual budgets and the decisions of the Council of Economy

According to the Supervisory-Policy Package of the banking system for 1387 (2008/09), the key credit and monetary policies for 1387(2008/09) are as follows:

1- Given the widespread impacts of inflation on economic indicators, achieving the inflation target is regarded as the main objective of the central Bank of I.R. of Iran (CBI). Other policies such as protecting exports and granting export prizes are to be devised on the basis of inflation rate for 1387.
2- Banking facilities and services are provided on the following basis in 1387:
   a) Profit rate on the banking facilities extended for transaction contracts is set at 12 percent; However,

b) The banking facilities extended to priority projects of micro-businesses and agricultural enterprises are subsidized and the corresponding profit rate is set at 10 percent and the Government will pay the remaining 2 percent.

3- The ratios of the banks' legal reserves in the Central Bank in 1387 are as follows:

20 percent	Current deposit
10 percent	Interest-free-loan deposit
17 percent	Short-term deposit
17 percent	One-year deposit
15 percent	Two- and Three-year deposit
13 percent	Four-year deposit
11 percent	Five-year deposit
20 percent	Other deposits

4- The Central Bank is authorized to issue Participation Papers up to 50 percent of the existing Papers. Moreover, the Bank shall design and utilize more efficient and proper instruments to streamline management of the money market

5- Government and governmental organizations may issue Participation Papers in 1387 within their mandates and subject to the supervision of the Central Bank. The profit rate will be commensurate with the profit accrued from respective investment projects, and selling these Papers before their maturity dates may only be done in the stock exchange.

6- In order to prepare the appropriate ground for better allocation of credits, in line with a balanced growth, banking facilities are sectorally allocated as shown in the following table.

Table 8. Sectoral Allocation of Banking Facilities

Share in total credits (percent)	Sector
25	Agriculture, water, and processing industries
33	Manufacturing and mining
20	Construction and housing
15	Trade and services
7	Export

In the Iranian year 1387 (2008-2009), the profit rates for bank deposits are as indicated in Table 9.

Table9. The provisional profit rates for term investment deposits (government banks) for the Iranian year 1387 (March 2008-March 2009)*

Five-Year Deposit	Four-Year Deposit	Three-Year Deposit	Two-Year Deposit	One-Year Deposit	Special Short-Term Deposit	Short-Term Deposit	Term of Deposit
16	13.8-16	13.7-15.8	13-15.8	12-16	9-16	7-8	Provisional Profit Rate

* The government banks have the discretion to determine the provisional profit rate for special short-term up to 4 year deposit accounts within the range of 7-16 percent.

In the Iranian year 1382 (2003-2004), the Council of Money and Credit decided to reduce the lowest expected profit rates for bank facilities. Also, since the Iranian year 1384 (2005-2006), and in line with the provisions of the Fourth Development Plan Act, the Council of Economy has set a single rate of return on credits in different economic sectors. The corresponding figures for the Iranian years 1383-1387 (2004-2008) are shown in Table 10.

Table 10. The expected rate of return on bank facilities

Rate of return(percent per annum)					Sector
1387(2008-09)	1386(2007-08)	1385(2006-07)	1384(2005-06)	1383(2004-05)	
12	12	14	16	13.5	Agriculture
14	12	14	16	15	Manufacturing and Mining
11	11	13	16	15	Construction and Housing (Housing Savings Fund, Bank Maskan)
12	12	14	16	18	Construction and Housing (other)
12	12	14	16	14	Exports
12	12	14	16 (minimum)	21 (minimum)	Domestic Commerce, Services, etc.

Furthermore, in recent years private banks have been allowed to be established and operate by virtue of Article 98 of the Third Development Plan Act, and the "Act on the Permission of the Establishment of Non-Government Banks' of the Iranian year 1379 (2000), and in accordance with the regulations passed by the Council of Money and Credit regarding the establishment of non-government banks. Accordingly, so far six private banks and some private credit institutions have been established.
The profit rates on investment deposits in non-government banks are as indicated in Table11.

Table 11. The provisional profit rates for term investment deposits in private banks and non-bank credit institutions for the year 1387(2008-2009)

Five-year Deposits	Four-year Deposits	Three-year Deposits	Two-year Deposits	One-year Deposits	Special Short-Term Deposits	Short-Term Deposits	Term of Deposits
15-18.5	15-18.25	15-18	15-17.75	17-17.5	15-17.25	10-16.5	Provisional Profit Rate for 1387 * (percentage)

* The range given covers the different interest rates offered by different banks.

C. Foreign exchange and payments system, relations with International Monetary Fund, application of foreign exchange controls

C.1. Foreign exchange and payments system

The exchange policies of the country were set out in the Iranian Year 1381 (2002-2003), aiming at facilitating and promoting the participation of private sector. Efforts have been made in this framework to avoid decisions which might impede the attainment of the above mentioned objectives. The said policies have focused on progressive liberalization of foreign trade, stabilization of money market, attraction of foreign investment, and gradual liberalization of financial markets.

1.The exchange rate unification policies started to be implemented by virtue of the Budgetary Act for the Iranian year 1381(2002-2003), and the allocation of foreign currency to economic sectors was accordingly done using unified exchange rates.

2. In order to promote and facilitate exchange transactions in goods and services, the transactions on exchange deposit certificates were discontinued in the stock exchange in the Iranian year 1381(2002-2003). Foreign currencies have since then been traded in the inter-bank market using a reference rate. All banks including the Central Bank are active in the inter-bank market transactions.

3. According to a Central Bank circular directive, the foreign exchange regime in Iran is a managed floating regime, in which emphasis is made on the functioning of supply-demand mechanism. All exchange regulations applicable to trade in goods, transactions of service currencies and banking operations (such as exchange transactions, issuing letters of credit, granting exchange facilities, transportation, insurance, inspection, exchange banking operations in Free Trade and Industrial Zones,…) shall comply with the said regime.

4. As a member of IMF, and in accordance with Article 8 of its Articles of Agreement, Iran has a practically open current account balance of payments (BOP) and there is no restriction on its international currency transactions. On the other hand, Iran has a legally closed capital account of BOP. However, by virtue of Paragraph C of the Executive By-Law of Article 15 of the Fourth Development Plan Act, the possibility of foreign investment in the financial market of the country (the stock market), affects the capital account.

5. In the beginning of the Iranian year 1381(2002-2003) and in order to facilitate foreign trade flows and deregulate the process of non-oil exportation, the High Council of Non-Oil Export Promotion lifted the exchange repatriation bond requirement for exports of all goods and services.

6. In order to increase the private sector participation in the economic activities and to facilitate non-oil exports, the Ministry of Commerce was ordered to permit the establishment of non-government export promotion funds.

7. In order to facilitate foreign trade, the Council of Ministers has actually given the discretion to exporters in managing their currency resources (using import credit, foreign currency deposits, and currency sales in the inter-bank market).

8. In order to facilitate foreign trade, a new set of conditions was set for using short term credit lines. Accordingly, all owners of goods and providers of services may request the issuance of L/C's using inter bank credit lines according to the relevant regulations.

9. In order to strengthen the exchange rate unification policy and to pave the ground for free exchange transactions, the Central Bank of the I. R. Iran issued a circular directive on the establishment and operation of money changers all over the country except for in the Free Trade and Industrial Zones.

Besides, the exchange laws and regulations impose no restriction on the exchange services sector or on other international exchange transactions, purchase of transferred foreign currencies, collectable through the international banking system, including foreign exchange transfers, traveller's cheques, credit cards, and other reliable banking instruments and foreign currency accounts. Furthermore, purchase of foreign currency is permissible up to 5000 USD or its equivalent in other foreign currencies. For the purchase of amounts exceeding 5000 USD, the regulations regarding prevention of money laundry shall be observed.
According to these regulations, the following are among the conditions of foreign currency sales:
*costs of participation in fairs and exhibitions abroad;
*costs of purchasing tender documents for the exports of non-oil goods and technical and engineering services, as well as marketing costs of business people;
*transferring the foreign labourers' salary and wages;
*payment of lawyers' fees in international litigations;
*transfer of capital and profits in the case of foreign investments;
*foreign tourists;
*for the consular earning in Rials of foreign embassies;
*for the payments of fees for L/C's, money transfers and foreign exchange guarantees;
*for the liquidation of foreign currency commitments of exporters, importers, and the representatives of shipping lines;
*for credit cards;
*for the transfer of earnings in Rials of foreign airlines, after such earnings are converted to foreign currency;
*for the sales of foreign currency for the costs of fuel, handling and salary of foreign labour and for insurance premium;
*for the sales and transfer of foreign currency the guarantee of foreign currency surety bonds, issued by banks;
*for the sales and transfer of foreign currency for opening foreign currency accounts; and
*for the sales of foreign currency for converting the balance in Rial accounts of non-residents into foreign currency.
Also according to the above mentioned regulations, all Iranian and foreign natural and legal entities can open foreign currency accounts. Transfer of foreign currency from such accounts to foreign countries is permitted. Accordingly, sending out and bringing in of foreign currencies through banking system is allowed, while travellers may bring in or take out foreign currencies of up to 5000 USD or its equivalent in other foreign currencies. However, travellers may, subject to declaration at the point of entry, bring in foreign currencies exceeding the said amount.
Furthermore, deposits and transfer of money into foreign currency accounts is permitted up to 5000 USD. For amounts larger than 5000 USD, the permission of the Central Bank is necessary.

C.2. Relations with International Monetary Fund, application of foreign exchange controls

In the IMF, Iran is a member of Group 24, which comprises countries from Asia, Africa, and Latin America. As a representative of developing countries, Iran plays an important role in expressing their views and protecting their interests in the IMF. Iran became a member of IMF in 1945 with a quota equivalent to 20 million USD. Since 1972, as the head of the group of countries consisting of Algieria, Afghanistan,

Pakistan, Morocco, Tunisia, and Ghana, Iran has one vote in the Board of Governors. The Governor of the Central Bank of the I. R. Iran represents the Iranian Government in IMF. On 19 March 2003, having a quota of 1497.2 million SDR's and 15222 votes out of 53663 votes of the above mentioned group, Iran enjoyed 28.4 and 0.702 percent shares in the total votes of its own group of seven countries in the Board of Governors and in the total votes of the IMF, respectively.
Article 8 of the Articles of Agreement of the IMF requires the member states, to eliminate exchange restrictions when regulating their exchange policies. However, Article 14 provides for temporary arrangements to be adopted by the members, in order to impose certain exchange restrictions. The IMF annually publishes a report on such restrictions, called "exchange arrangements restrictions". As Iran has recently accepted the Article 8 requirements of the IMF, the Consultative Staff has in recent years offered technical and consultative assistance to Iran in such fields as improvement of the Central Bank's surveillance, prevention of money laundering and financing terrorism, as well as in Special Data Dissemination Standards.

D. Foreign and domestic investment policies

D.1. Domestic investment policies

The general orientation of investment policies is determined in the Economic Development Plans. The investment objectives and programmes of the Government, together with the amount of relevant investments, are usually set out in the annual budgets. The government and private investments in Iran are considered to complement each other, and the amount of investments in both sectors is determined in the Plans in accordance with the above mentioned objectives. In order to achieve its goals, the Fourth Development Plan Act has envisaged an economic growth rate of 8 percent, which requires a 12.2 percent increase in investment sector. Table 12 demonstrates the actual investment realized during the Iranian years 1383 (2004-2005) and 1384 (2005-2006).

Table 12: Gross Fixed Capital Formation for the Iranian years 1383-4 (2004-2006), at constant prices in the Iranian year 1376 (1997-1998) (billion Rials)*

Private	Public	Gross Fixed Capital Formation	Year
102436	41923	144359	1383 (2004-05)
106536	46205	152741	1384 (2005-06)

* The figures are not final.

It can be seen therefore that the share of public and private sectors in the total gross fixed capital formation in the Iranian year 1383 (2004-2005) were 29 and 71 percent, respectively. The figures for the Iranian year 1384 (2005-2006) were 30.2 and 66.8 percent, respectively.
According to the Fourth Development Plan Act, since the beginning of the Iranian year1384 (March 2005), all allocations of bank facilities and sectoral priorities are subject to approval of the Council of Ministers and shall be done using subsidies and administered funds. Granting facilities with lower profit rates by government banks is

only permitted, if financed through subsidies or administered funds by the Government. It has also been planned that during the Fourth Development Plan, at least 25 percent of the facilities granted by the banks shall be allocated to water and agriculture sector and the increase in the balance of scheduled facilities of banks shall on the average be 20 percent lower than that approved for the Iranian year 1383 (2004-2005).

Accordingly, the six different profit rates of government facilities were unified into the single profit rate of 14 percent in the beginning of the Iranian year 1385 (March 2006). This rate is 12 percent for the Iranian year 1387 (2008-2009).

As regards tax exemptions, which are among incentives and factors used in domestic investment policies, the exemptions mostly cover the agricultural and industrial sectors in order to attract investment to these sectors and include the following:

- In the agricultural sector, by virtue of Article 81 of the Direct Taxation Act, the revenues of activities in the fields of agriculture, animal husbandry and livestock, pisciculture, apiculture, raising poultry, hunting, fisheries, sericulture, and restoration of forests, pasturage, orchards, trees and palms of whatever kind are exempted from taxation.
- in the industrial sector, the taxable declared income of manufacturing and mining activities in the cooperative and private sectors, for which the relevant ministries have issued exploitation licenses or signed an extraction and sales contract, since the beginning of the Iranian year 1381 (March 2002), shall be exempt from taxation under Article 105 of the said Act, for four years from the beginning of the exploitation or extraction by 80 percent. The corresponding figures shall be 100 percent for ten years in the less developed regions of the country.
- the income of rural, tribal, and agricultural cooperative societies and those of fishermen, labourers, employees, students and their unions are 100 percent tax exempt.
- That part of the declared profit of cooperative and private companies, which is used in the same year for their development, reconstruction, renovation or completion of manufacturing and mining plants or establishment of new plants is exempt from taxation under Article 105 of the said Act by 50 percent, subject to the condition that prior approval for such operations is obtained from the relevant ministry.
- The revenues from the exportation of transit goods, on which no substantive work has been done, are exempt from taxation.
- The revenues from hand woven carpets and handicrafts and the related production cooperative companies and unions are exempt from taxation.
- Companies whose shares are listed in the stock market according to the relevant regulations by the Approval Board shall be exempted from taxation by 10 percent, subject to the requirement that all their shares are transacted through the stock market agents and registered accordingly.
- The revenues of inventors or discoverers from their innovations and discoveries are exempt from taxation. Also revenues of research and development activities of institutes which have obtained licenses for such activities from the relevant ministries will be exempt from taxation for 10 years as of the entry into force of the Amendment, according to the provisions of the relevant circular of the Council of Ministers.
- Profit and awards accrued to participation papers are tax exempt.

D.2. Foreign investment policies

The legal framework for foreign investment in Iran consists of three distinct aspects: 1) investment by natural persons of foreign nationality; 2) foreign investment in the framework of the "Commercial Code"; and 3) foreign investment in the framework of the “Foreign Investment Promotion and Protection Act” of 2002 (hereinafter FIPPA).

1) Investment by natural persons of foreign nationality. According to the Civil Code, foreign nationals will, subject to the existence of a treaty on reciprocity, enjoy the same rights and privileges of Iranians. The companies formed by such foreign nationals will be of Iranian nationality and subject to the same laws which regulate the activities of Iranian companies.

2) Foreign investment in the framework of the Commercial Code. Foreign nationals can, in the framework of the Commercial Code and subject to the observance of the relevant procedures, form and register companies in Iran. Iran’s Commercial Code does not differentiate between Iranian and foreign stock holders of Iranian companies. In other words, there is no restriction regarding the nationality of those who want to establish companies in Iran. In this context, foreign exchange restrictions are equally applied to Iranian and foreign investors. Such companies, however, do not enjoy the privileges set out in FIPPA.

3) Foreign investment in the framework of FIPPA. The 2002 "Foreign Investment Promotion and Protection Act" lays down the rights, duties and obligations of foreign investors and their fields of activity. All natural and legal persons of foreign nationality, international companies, institutes and organizations, as well as natural and legal persons of Iranian nationality whether resident in Iran or not with capitals of foreign source who obtain the permit to invest in Iran in the framework of APPFI and its "By-Law" will be entitled to enjoy the privileges and protections set out in that Act. According to Article 5, foreign investors shall submit their requests for admission, entry, utilization and withdrawal of capital to the “Organization for Investment and Economic and Technical Assistance of Iran” (OIETAI). In order to decide on such requests, a “Foreign Investment Board” is established in OIETAI. The Board consists of the Deputy Minister of Economic Affairs and Finance and Head of OIETAI, as the Chairman of the Board, the Deputy Minister of Foreign Affairs, the Deputy Head of the Management and Planning Organization, and the Deputy Governor of the Central Bank of the I. R. Iran, as well as other deputy ministers as the case may require. Foreign investments falling in the realm of APPFI will equally enjoy all rights, protections and privileges granted to Iranian investors. According to APPFI, foreign investments will not be expropriated or nationalized, except for public purposes, through a legal process, in a nondiscriminatory manner, and subject to appropriate compensation which will be calculated based on the real value of such investments immediately before the expropriation or nationalization takes place.

In accordance with the provisions of the Act on Promotion and Protection of Foreign Investments, the foreign exchange required for the exchange transfers of foreign investors such as transfer of the principal and profit of the foreign capital / investment in addition to the normal methods established for the purchase of foreign currencies from the banking system, may also be secured through the foreign exchange earned from the exportation of products and manufactures of the enterprise, from services provided by the economic enterprise employing the foreign capital, or from the exportation of permitted goods in compliance with the relevant laws and regulations.

E. Competition policies

The Fourth Economic, Social and Cultural Development Plan Act has charged the Government with the duty of providing proper grounds for the promotion of economic competitiveness and taking such actions against monopoly as the following:
According to Article 38 of the Fourth Development Plan Act, the Government shall submit to the Parliament a Bill on Facilitation of Conditions of Competition and Anti Monopoly Act in economic fields where there are natural or legal monopolies, taking into account the legal rights of citizens. According to Article 40.A of the Fourth Development Plan Act, the Government has been allowed to merge commercial companies in order to form large companies, subject to the condition that this shall not cause concentration and monopolistic power. The Government shall also determine the useful and permitted range of mergers, the conditions for prevention of concentration, and formation of monopolistic power in the above mentioned bill. According to Article 41.E of the Fourth Development Plan Act, the Government was required to submit to the Parliament the comprehensive bill on facilitation of the competition and control and prevention of formation of monopolies. Consequently, this bill was ratified in the Parliament as a part of the Act on the Implementation of the General Policies Regarding Article 44 of the Constitution. Chapter 9 of the Act has introduced "The Competition Council" which is responsible for facilitating competition and preventing formation of monopolies. Article 58 of the Act stipulates the responsibilities and authorities of the Council as follows:

a) determining instances of anti-competitive practices as well as cases exempted from the Act and deciding on such specific cases of exemptions;
b) Situation assessment and determining the scope of goods and services markets;
c) Adopting and notifying guidelines and directives as required;
d) Giving advice to the Government in order to prepare the needed bills;
e) Approving directives to regulate price, quantity and conditions of market access of the monopoly goods and services, taking into account the relevant rules and regulations.

The Council comprises senior experts in related fields and is presided by one of the member senior economic experts as proposed by the members and appointed by the President. The decisions of the Council shall be adopted by a majority vote- not less than five-of the members having the right to vote.

3. Foreign trade in goods and services

Iran's total exports for the Iranian years 1383 (2004-2005) and 1384 (2005-2006)[1] reached \$43,852 and \$60,012 million respectively. Exports of petroleum and gas, which amounted to 81.4% of the total exports in the Iranian year 1384 (2005-2006), were \$48,823 million. In the Iranian year 1383 (2004-2005), 25.8% of Iran's crude oil was exported to Western Europe, 20.6% to Japan, and 35.8% to Asia and the Far East (other than Japan). Traditional and agricultural goods accounted for 28.5% of Iran's non-oil exports in the Iranian year 1383 (2004-2005), among which fresh and dried fruit, pistachio and carpet with respective shares of 45.7%, 28.1% and 25.1% ranked the top three. Among industrial exports, petrochemicals stood first with 30.1% of such exports.
Table 13 demonstrates Iran's exports in oil and non-oil sectors in the period between the Iranian years 1375-1384 (1996-2006). Iran's largest portion of non-oil exports in

[1] The figures for this year are not final.

the Iranian year 1383 (2004-2005) was destined to the United Arab Emirates amounting to 17.9% of the total exports. Iraq stood next with receiving 10.5 of the Iranian non-oil exports.

Table 13. Exports in goods for the Iranian years 1375-1384(1996-2005)(million USD)

1384* **2005**	**1383** **2004**	**1382** 2003	**1381** 2002	**1380** 2001	**1379** 2000	**1378** 1999	**1377** 1998	**1376** 1997	**1375** 1996	**Sector**
48823	36315	27355	22807	19339	24280	17089	9933	15471	19271	Oil and Gas
11189	7537	6636	5379	4565	4181	3941	3185	2910	3120	Non-oil
60012	43852	33991	28186	23904	28461	21030	13118	18381	22391	Total

* The figures are not final.

With 34.1% and 23.9% increase rates, compared to their respective previous years, Iran's imports of goods (CIF) amounted to $35,389 and $39,064 million in the Iranian years 1383 (2004-2005) and 1384 (2005-2006) respectively. Table 14 shows Iranian imports of goods in terms of value during the Iranian years 1376-1384 (1997-2005).

Table 14. Weight and value of imports for the Iranian years 1376-1384 (1997-2005)

average value of each ton (USD)	value of imports(CIF)(millionUSD)	year
650	14196	1376 (1997-1998)
879	14323	1377 (1998-1999)
589	12683	1378 (1999-2000)
552	14347	1379 (2000-2001)
642	17627	1380 (2001-2002)
827	22275	1381 (2002-2003)
883	26598	1382 (2003-2004)
1027	35389	1383 (2004-2005)
1124	39664	1384 (2005-2006)*

* The figures for this year are not final.

In the Iranian year 1383 (2004-2005), ranking first, the imports of machinery and transportation equipment accounted for 47.7% of the imported goods. The imports of primary materials and intermediate goods, capital goods, and of consumer goods respectively comprised 47.8, 34.2 and 18 percent of the total imports of goods in the same year.
In the Iranian year 1383 (2004-2005), 17.2% of the imported goods came from United Arab Emirates, next to which stood imports from Germany with 12.7% of the imports of goods.
In the Iranian year 1383 (2004-2005), the exports and imports of services amounted to 6,905 and 11,916 million USD respectively. Table 15 indicates the situation of Iran's exports and imports during the Iranian years 1376-1384(1997-2005).

Table 15. Value of Iran's exports and imports of services between Iranian years 1376-1384 (1997-2005) (million US Dollars)

balance	**Value of imports**	**Value of exports**	**Year**
-2438	4096	1658	1376 (1997-98)
-1469	3496	2023	1377 (1998-99)
-1533	2929	1396	1378 (1999-2000)
-1485	3497	2012	1379 (2000-01)
-495	3983	3488	1380 (2001-02)
-3503	8528	5025	1381 (2002-03)
-4535	10784	6249	1382 (2003-04)
-5011	11916	6991	1383 (2004-05)
-5894	13506	7612	1384 (2005-06)*

* The figures for this year are not final.

Foreign trade balance

The study of Iran's trade balance for the Iranian years 1375-1384 (1996-2005), reveals that apart from the Iranian year 1377 (1998-1999) in which the current account had a $2,140 million deficit, in the remaining years, the current account had a positive balance.

Current account surplus in the Iranian year 1383 (2004-2005) amounted to $1,442 million, which showed a $626 million increase from the previous year. The trade balance also has a surplus of 5,653 million USD. However, oil and gas exports excluded, the current account showed a deficit during the whole period. In the Iranian year 1383 (2004-2005), the services sector's net receipts and payments had a $5,011 million deficit. Services net transfers in that year were $800 million[1].

In the Iranian year 1383 (2004-2005), the share of the value of non-oil products exported to the first 10 importing countries from Iran was 63.9% of the value of Iran's total non-oil exports. The figure was 3.5% higher than that of the previous year, which indicates a tendency towards higher concentration in export destination.

In the same year, Iran had imports from 118 countries, and 51.4% of imports were from the European countries, 44.4% from Asia, 3.3% from the Americas, 0.5% from Oceania and finally 0.4% from Africa. Table 16 indicates the situation of Iran's trade balance between the Iranian years 1376-1384 (1997-2005).

Table 16. Iran's trade balance in the Iranian years 1376-1384 (1997-2005) (million USD)

2005*	2004	2003	2002	2001	2000	1999	1998	1997	**Year**
19043	5653	4430	6201	5775	13375	7597	-1168	4258	**Trade balance**

* The figures for this year are not final.

4. Domestic trade in services including value and composition of foreign direct investment

A. Domestic trade in services

In the Iranian year 1384 (2005-2006), enjoying a 47.3% share in the GDP (at constant prices of the Iranian year 1376 (1997-1998)), the services sector saw a growth rate of

[1]Mostly relates to Iranian labourers working abroad

5.6% compared to the Iranian year 1383 (2004-2005). This was while the sector grew by 4.6% compared to the previous year, in the Iranian year 1383 (2004-2005).

B. Value and composition of foreign direct investment

The information on foreign investment in the country only includes those investments made under the Foreign Investment Promotion and Protection Act, and does not cover other kinds of foreign investment. According to the latest available information, the total foreign investment in Iran between 1372-1382 (1993-2004) amounted to 4,567,729,000USD, of which about 2.2 billion USD (that is 48.16%) was accrued to the industrial sector, next to which stood mining and services sectors, which attracted 1.25 billion USD (27.36 percent) and 400 million USD (8.75 percent) respectively.

Among the industrial sub-sectors, chemical industries, petroleum products, rubber and plastics got more than 760 million USD and stood first. Machinery, equipment, tools and metal products, and auto industries and basic metal industries ranked next with 678 and 469 million USD respectively. It shall be noted that the above mentioned investments were mostly made during the past five years and the share of the Iranian year 1382 (2003-2004) in the total investments of the past eleven years was 38.9 percent. Obviously, the enactment of the FIPPA has positively affected the attraction of foreign capital.

From among total investments made in Iran, Europe ranked as Iran's first investment partner with more than 2.7 billion USD, that is 60.27 percent of the total foreign investment in Iran. The Americas and Asia stood next with investments of more than 1 billion (22 percent) and 771 million (16.9) USD respectively.

Country wise considered, Canada was the first foreign investor in Iran, with 1.23 billion USD, next to which stood Germany, Italy, the UK, the United Arab Emirates and France, which together accounted for 81.6 percent of the total foreign investments made in Iran between the Iranian years 1372 (1993-1994) and 1382 (2003-2004).

5. Information on financial movements related to nationals working abroad, remittances, etc.

According to the data of the National Accounts, the net factor income from abroad in the Iranian year 1382 (2003-2004) was -21,772 billion Rials. In the Iranian year 1383 (2004-2005), the figure was -24,936 billion Rials.

6. Information on growth in trade in goods and services over recent years and forecasts for years to come

The exported goods of Iran between the Iranian years 1375-1384 (1996-2006) increased on the average by 11 percent annually. Total exports of non-oil products in the Iranian year 1384 (2005-2006) were estimated to be 11,189 million USD, which showed a 14.2% increase compared to the previous year. The average growth rate of non-oil exports between the Iranian years 1375-1384 (1996-2006) was 14.2 percent.

In the Iranian year 1384 (2005-2006), the exports of industrial products were estimated to be about 6,637 million USD, comprising 67.2 percent of the total non-oil exports. The share of agricultural goods in the total non-oil exports was 28.5 percent.

The CIF value of the imported goods was estimated to be 40,637 million USD in the Iranian year 1384 (2005-2006) marking a 7.2 percent increase compared to the previous year.

The average growth rate in exports of goods between the Iranian years 1375-1384 (1996-2006) was 11.2 percent. In addition, in the Iranian year 1384 (2005-2006) the exports and imports of services were 7.6 and 13.5 billion USD respectively, showing

10.2 and 13.3 percent increase compared to the previous year. Table 17 demonstrates the estimations for current account balance during the period of the Fourth Development Plan.

Table 17. The estimated current account balance during the last four years of the Fourth Development Plan (million USD)

Total Fourth plan	**1388 (2009-10)**	**1387 (2008-09)**	**1386 (2007-08)**	**1385 (2006-07)**	
-24610	-5455	-5096	-4853	-4721	**Current account balance**
-12515	-4306	-3146	-2298	-1662	**Trade balance**
172872	38082	36634	34239	32728	**Exports**
120009	25265	25052	23774	23273	**Oil and gas**
92000	19016	18926	18083	18011	**Crude oil**
52863	12817	11582	10465	9455	**Non oil exports**
185287	42388	39780	36537	34390	**Imports**
-18905	-2782	-3435	-3905	-4286	**Services (net)**
40069	10703	9073	7662	6719	**Receipts**
58974	13485	12508	11567	11005	**Payments**
6810	1633	1485	1350	1227	**Transfers (net)**

III. FRAMEWORK FOR MAKING AND ENFORCING POLICIES AFFECTING FOREIGN TRADE IN GOODS AND TRADE IN SERVICES

According to the Constitution of the Islamic Republic of Iran, the Supreme Leader is the highest state authority, appointed by the Assembly of Experts, which is itself directly elected by the people. According to Principle 110 of the Constitution of the I.R. of Iran, laying down and monitoring the proper implementation of the general policies of the state, the coordination of relations among the Judiciary, the Legislature and the Executive, solving the intricate problems which have not been solved by the usual state mechanism, through the Council of Expediency, are among the most important functions of the Leader, who may delegate parts of his functions and powers to other persons. As regards the law, the Leader has the same status as other citizens.

1. Powers of executive, legislative and judicial branches of government.

A. The Executive

The President of the Islamic Republic of Iran is the second highest state official, responsible for the implementation of the Constitution. The President is the head of the Executive, except in such affairs as directly related to the Leader. The President is accountable to the people, the Leader, and the Islamic Consultative Assembly (the Parliament).

International treaties, protocols, contracts, and agreements between the Government of the Islamic Republic of Iran and other governments, as well as agreements regarding the international organizations shall be signed by the President or by his representative, after they are approved by the Parliament.

The President heads the Council of Ministers and supervises the activities of the ministers, for which he is accountable to the Parliament. Each of the ministers is also accountable to the Parliament.

The Council of Ministers drafts its policies in the form of bills, which are submitted to the Parliament for approval as laws. In addition, the Council of Ministers may lay down other regulations, in the form of circulars, by-laws and directives, which are also necessary for fulfilling its duties. Each of the ministers may also lay down specific by-laws, circulars and directives within the limits of their functions. The provisions of such by-laws, circulars and directives shall be in conformity with the purposes of the laws.

B. The Legislature

According to the Constitution of the Islamic Republic of Iran, the Islamic Consultative Assembly (the Parliament), the members of which are directly elected by the people, has the responsibility of passing and approving laws. The Council of Ministers shall submit its bills to the Parliament to be approved and passed into law. Each of the Representatives in the Parliament is responsible to the people and has the right to express his or her views on all domestic and international issues of the country.

According to Article 77 of the Constitution, all international treaties, and agreements shall be approved by the Parliament. All "Annual Budgets" of the government and "Development Plans" (which are normally prepared for five-year periods) shall be approved by the Parliament too.

In order to prevent the violation of the Islamic precepts and the provisions of the Constitution by the ratifications of the Parliament, the Guardian Council of the Constitution has been established, consisting of six Islamic jurisprudents appointed by the Leader, and six lawyers elected through voting by the Parliament. All ratifications of the Parliament are submitted to the Guardian Council. Should the Guardian Council find the ratifications inconsistent with either the Islamic percepts or the Constitution, it will send it back to the Parliament to be revised. If not, the ratifications are automatically passed into law. In case the Parliament does not agree with the Guardian Council, the disputed ratifications will be submitted to the "Expediency Council", whose decisions are final and applicable as law.

C. The Judiciary

The Judiciary is responsible for the protection of individual and social rights of the people and for guaranteeing the proper implementation of laws. Accordingly, the Judiciary monitors the implementation of laws, adjudicates the complaints, settles the disputes, prosecutes and punishes the crimes, and takes appropriate measures to prevent the commission of crimes.

As indicated in Subsection A.1 of Section 6 below regarding the description of judicial, arbitral or administrative tribunals or procedures, all commercial disputes are to be referred to general courts.

The "State Supreme Court" is in charge of supervision of the proper implementation of laws in courts and unification of jurisprudence.

2. Government entities responsible for making and implementing policies affecting foreign trade.

A. Ministries and institutes affiliated to the Government

A.1. Ministry of Commerce

The Ministry of Commerce, as the main organ of the Government in charge of the regulation and implementation of policies applicable to domestic and foreign trade, is responsible for determining and implementing the country's commercial strategies and regulations, striving to maintain the country's trade balance, preparing and implementing domestic and foreign commercial development plans and programmes, concluding commercial agreements with other countries, laying down and supervising the implementation of import and export regulations, monitoring and maintaining the balance between the prices of domestic products and of imported goods, preparing facilities and equipment needed for imports and promotion of exports, coordinating the activities and services needed for domestic and foreign trade, laying down regulations concerning the provision of services to domestic and foreign trade, and holding domestic and international trade fairs and exhibitions. The Ministry of Commerce is also in charge of managing the process of accession to the WTO.

A.1.1. Trade Promotion Organization

The "Trade Promotion Organization" is affiliated to the Ministry of Commerce. Endeavouring to promote non-oil exports through familiarizing exporters with international contracts, regulating and implementing export programmes, cooperating with Iran Standard and Industrial Research Institute and providing incentives to promote non-oil exports, policy making in order to promote foreign trade, facilitating the development of business enterprises and enhancement of their capabilities for the promotion of non-oil exports and considering the possibilities of providing incentives to this end, taking all administrative measures regarding issuance and extension of commercial cards and for order registration for importation of goods and receiving the relevant fees, carrying out studies and taking measures necessary for codification of import and export regulations, and amendments thereto, and monitoring their proper implementation, as well as policy making on holding international trade fairs and exhibitions, and issuing the relevant permits are among the functions of the Trade Promotion Organization.

A.1.2. Export Guarantee Fund
Affiliated to the Ministry of Commerce, the Export Guarantee Fund has been established in order to expand and promote exports, to protect exporters against those financial risks, which are normally not covered by the insurance companies, and to guarantee credits used for exportation of such goods and services. The major functions of the Fund include collection of the claims of exporters of goods or services from foreign buyers, which have not been collected for certain reasons, which shall exclude the non-fulfilment of obligations on the part of the exporters; supporting exporters through providing facilities for exportation of goods or services; investments related to exportation of goods or services and to other areas found to be necessary or useful by the Council of Ministers for the promotion of non-oil exports.

A.1.3. The Organization for the Protection of Consumers and Producers (OPCP)
The Organization for the Protection of Consumers and Producers is affiliated to the Ministry of Commerce. The main functions of OPCP are protecting and promoting domestic production; protecting consumers against unusual fluctuations; monitoring, determining, adjusting and controlling the price of products and services; and making the necessary examinations to control the prices of imported goods; determining and publicly notifying the price of the goods needed by the public sector and which have sole representatives in Iran; examining, calculating, and controlling the factors affecting the cost price of the goods and services, to the distribution systems and consumption phase.

A.2. Ministry of Foreign Affairs
By virtue of its membership in the High Council of Non-Oil Export Promotion, the Ministry of Foreign Affairs participates in formulating Iran's export policies, determining facilities to be available to exporters and paving the way for the exportation of goods and services to other countries. This Ministry shall take appropriate strategies to facilitate Iran's accession to the WTO.

A.3. Ministry of Industries and Mines
Facilitating the expansion and promotion of industrial and mineral policies in the framework of the economic policies of the country, and centralization and integration of policy making in industrial and mining sector are among the functions of the Ministry of Industries and Mines, which regulates all strategies, policies and plans and proposes trade policies relevant to the industrial and mining sector.

A.3.1. The Institute of Standards and Industrial Research of Iran (ISIRI)
ISIRI is affiliated to the Ministry of Industries and Mines. It was established in 1960. The functions of ISIRI include setting and developing national standards; monitoring the observance of compulsory standards; controlling the quality of products which are subject to compulsory standards, preventing the importation and exportation of low quality products; and accrediting and validating domestic and foreign surveillance companies and institutes.

A.4. Ministry of Economic Affairs and Finance

The functions of the Ministry of Economic Affairs and Finance are: economic and financial policy making, coordinating all financial affairs of the country, implementing tax policies, setting and implementing programmes for economic coordination and mutual investments with other countries, managing the public finance, acting as the state treasury, directing the banking network and commercial insurance institutes, and regulating the financial and monitoring policies of the country. Most of the policy making organizations and institutes in the field of trade in goods and services are affiliated to the Ministry of Economic Affairs and Finance.

A.4.1. The Customs Administration of the Islamic Republic of Iran

The Customs Administration is affiliated to the Ministry of Economic Affairs and Finance. All activities regarding importation, exportation, transit, collection of import duties and other cases such as temporary importation are carried out by the Customs Administration, which is in charge of implementing the Customs Affairs Act of the Iranian year 1350 (1971), and its Executive By-Law.

A.4.2. Central Bank of the Islamic Republic of Iran

The Central bank is in charge of laying and implementing monetary and credit policies of the country. Therefore, laying exchange policies and determining exchange rates are among the functions of the Central Bank. As regards the importation of goods, issuance of documentary credits and registration of orders for documentary bills of exchange for imports shall be done in accordance with the policies of the Central Bank. Among its major purposes are; maintenance of the value of the national currency, balance of payments as well as facilitating trade transactions and contributing to the economic advancement of the country.

A.4.3. Central Insurance of Iran

The Central Insurance of Iran is in charge of regulating, expanding and guiding the insurance industry in the country, and protecting the insured and their beneficiaries as well as ensuring government supervision of insurance operations. It supervises all activities of companies from establishment and operation to dissolution. The Central Insurance of Iran also communicates all regulations and by-laws regarding insurance activities and various types of insurance transactions and their rate of premium and commission after they are approved by the High Council of Insurance.

A.4.4. State Tax Organization

Affiliated to the Ministry of Economic Affairs and Finance, the State Tax Organization has been established in order to facilitate the desirable fulfilment of all plans and responsibilities regarding the collection of taxes and to supervise the implementation of tax laws and regulations, and finally to centralize all activities related to tax collection in a single organization.

A.5.5. Organization of Investment and Economic and Technical Assistance (OIETA)

Affiliated to the Ministry of Economic Affairs and Finance, the OIETA has been established to centralize, regulate and perform a host of activities related to foreign investments in Iran, Iran's foreign investments abroad, providing loans and credit facilities to foreign firms, institutes or governments as well as obtaining loan or credit from foreign or international sources. Carrying out activities pertaining to the promotion and protection of foreign investments and determining the maximum level of foreign investments and of foreign contribution in investments in various sectors in Iran are among other functions of OIETA.

A.5. Ministry of Jihad-e-Agriculture

The Ministry of Jihad-e-Agriculture is in charge of formulating and implementing agricultural policies of the country. The Ministry of Jihad-e-Agriculture notifies the Ministry of Commerce of its views on trade policy regarding agricultural goods.

A.5.1. Plant Protection Organization

In order to ensure the protection of human and plant life, the Plant Protection Organization is in charge of issuing export and import licenses for all kinds of plants and parts thereof including bulbs, cuttings, roots, fruits, saplings, and seeds, as well as the issuance of licenses _ which are solely of a technical nature _ for importation, exportation, production, transformation and packaging of all kinds of pesticides, herbicides, and plant hormones.

A.5.2. State Veterinary Organization

In order to ensure the protection of human and animal life, the State Veterinary Organization is in charge of issuing licenses for importation, exportation, production, distribution and packaging of all kinds of domesticated animals, eggs, animal sperms, raw animal products, medicines, vaccines, venoms, and biological materials, and antiseptic materials, as well as all kinds of veterinary venoms, and concentrated foods, animal food additives and medicines used for the materials mentioned.

A.5.3. Codex Commission of Food Stuff

The Codex Commission of Food Stuff, established in 2002 through the coordinated efforts of the three Ministries mainly related to production and trade of agricultural and food products, namely the Ministry of Jihad-e-Agriculture, the Ministry of Industries and Mines, and the Ministry of Health and medical Education together with the ISIRI, is in charge of setting and developing standards and quality and health regulations, related to the production of and trade in raw agricultural products and food stuffs, in accordance with the different global standards.

A.6. Ministry of Health and Medical Education

All activities related to the production, distribution, sales and offering for sales of pharmaceutical goods, medical supplies and equipment, and food, health and cosmetic products as regards their safety and quality, and of pharmaceutical goods and medical supplies and equipment as regards their efficiency, and of pharmaceutical products as regards their prices, as well as the determination of subsidies granted to pharmaceutical items, issuance of licenses for pharmaceutical, medical and paramedical service centers, determination of fees for medical and paramedical services, and determination of the list of permissible pharmaceutical items as well as the list of items covered by the medical insurances are among the functions of the Ministry of Health and Medical Education, which shall also monitor the activities of pharmaceutical products and medical equipment manufacturing industrial plants. The Ministry is also responsible for issuing import or export licenses of a technical nature for pharmaceutical products, and medical supplies and equipment, as well as food, health and cosmetic products, as the case may require.

A.7. Ministry of Road and Transportation

In addition to laying down and implementing comprehensive and integrated transportation policies in the country, the Ministry of Road and Transportation is in charge of studying and putting forward to the relevant organizations, proposals as to the pricing policy of the transportation and the related services; determining in cooperation with other government bodies, criteria for the establishment, administration and development of transportation firms; as well as issuing licenses for the establishment of transportation firms.

A.8. Ministry of Information and Communication Technology

Laying out and implementing policies pertaining to post and communications are among the functions of the Ministry of Information and Communication Technology, which is also in charge of issuing import licenses for certain communication apparatus and parts thereof.

A.9. Ministry of Culture and Islamic Guidance

For the importation and exportation of motion picture, cinematographic and television films, audio tapes, phonographic discs, books and other publications, brochures, pamphlets, commercial advertisement products, business catalogues, pictures, gravures, paintings, tableaux, etc., licenses are required to be obtained from the Ministry of Culture and Islamic Guidance.

A.10. Ministry of Petroleum

The oil industry, the producer of oil and petrochemical products, is managed by the Ministry of Petroleum, which is in charge of all issues pertaining to exploration, extraction, exploitation, distribution and exportation of crude oil and oil products. In addition, according to the "Imports and Exports Regulation Act ", issuing import licenses for such products is also among the functions of the Ministry of Petroleum.

A.11. Department of the Vice-President for Planning and Strategic Supervision

This Department, which operates under the direct supervision of the President, is responsible for preparation of economic development plans, as well as the annual budgets of the Government. An economic development plan lays out the general outlines of macro and sectoral economic policies, strategies and programmes for a five-year period development plans are communicated to the Government for implementation, after approval by the Parliament. The Fourth Economic, Social and Cultural Development Plan of the Islamic Republic of Iran was approved by the Parliament in April 2004 and is being implemented in the period 2005-2009.

A.12. Iran Cultural Heritage, Handicrafts and Tourism Organization

This organization is a governmental entity responsible for the international promotion of I.R. Iran's cultural and eco-tourism heritage, handicrafts and tourism. Its mission is to promote tourism and to develop a comprehensive system of handicrafts production and distribution at the national and international levels through quantitative and qualitative development and standardization of tourism industry and product diversity according to market needs as well as facilitating travel.

B. Independent institutions

The I. R. Iran Chamber of Commerce, Industries and Mines (ICCIM)

The ICCIM is a non-profit institution, established in order to facilitate the economic growth and development of the country, and express and exchange views among actors in the field of industries, mines and agriculture. Among the functions of the ICCIM are: creating and facilitating cooperation and coordination among business persons and the owners of industries, mines and agricultural units in the implementation of relevant state laws and regulations, providing advisory opinions to the Government on commercial and economic issues, establishing relations with chambers of commerce in other countries, and establishing joint chambers or committees of commerce, according to the general policies of the Government, seeking to identify export markets for Iranian products, as well as settling through arbitration, domestic or international commercial disputes, by establishing the ICCIM Arbitration Center.

C. Inter-Ministerial Councils

The major councils, in charge of policy making in the field of foreign trade include:

C.1. The Council of Economy

The Council of Economy, presided by the President, was established in 1972 by virtue of Article 2 of the "Budget and Plan Act". The Council consists of the Ministers of Economic Affairs and Finance, Labour and Social Affairs, Jihad-e-Agriculture, Petroleum, Industries and Mines, and Commerce, Head of the State Management and Planning Organization, the Governor of the Central Bank of I. R. Iran, one of the Advisors to the President, and other ministers as required in specific cases. Among the functions of the Council of Economy are: determining the general objectives of the development programmes of the country, which will ultimately lead to identification of general objectives of the five-year economic, social and cultural plans under the supervision of the Council of Economy; studying and determining the economic strategies and policies to be submitted for approval to the Council of Ministers; approving principles, policies and regulations pertaining to borrowing foreign loans and credits; studying and giving opinions about regulations and by-laws regarding the implementation of the five-year development plans to be submitted for approval to the Council of Ministers.

At present, the Council of Economy is in charge of determining the guaranteed price of agricultural products. Furthermore, the importation of the goods subsidized by the Government is subject to the approval of the Council of Economy.

C.2. The Council of Money and Credit

The Council of Money and Credit was established by virtue of Article 19 of the "State Monetary and Banking Act", and among its functions is: giving advisory opinions to the Government on monetary, banking and credit issues. The Council of Money and Credit comprises the Governor of the Central Bank of I. R. Iran, the Minister or Deputy Minister of Economic Affairs and Finance, Head or Deputy Head of State Management and Planning Organization, two ministers selected by the Council of Ministers, the Minister of Commerce, two monetary and banking experts proposed by the Governor of the Central Bank and approved by the President, The Attorney General or Deputy Attorney General, Head of the Chamber of Commerce, Industries and Mines, Head of chamber of Cooperatives, and two representatives from the

"Budget and Planning" and "Accountancy" Commissions of the Parliament, selected by the Parliament, as observers. The Council is presided by the Minister of Economic Affairs and Finance, in whose absence the Governor of the Central Bank will take over.

C.3. The Strategic Ministerial Council on the WTO Affairs

Presided by the Minister of Commerce as the Plenipotentiary Trade Representative of the I. R. Iran, this Council is in charge of drawing up all policies and strategies at the macro level in WTO related issues. The Council is the highest decision making level among the ministries regarding the accession negotiation process, adoption of negotiation positions, and monitoring the related functions of government bodies.

C.4. The High Council of Non-Oil Export Promotion

The High Council of Non-Oil Export Promotion, headed by the President or the First Vice-President, and comprising the Ministers of Commerce, Industries and Mines, Cooperatives, Foreign Affairs, Economic Affairs and Finance and Jihad-e-Agriculture, the Governor of the Central Bank, Managing Director of Bank Tose'e Saderat (Export Development Bank), as well as Heads of Trade Promotion Organization, Customs Administration, Iran Chamber of Commerce, Industries and Mines and the Chamber of Cooperatives, has been established by virtue of Note 25.A of the Second Development Plan Act, and Article 117 of the Third Development Plan Act, in order to set out the export policies of the country, to determine aids and facilities to be provided to the export sector, to eliminate obstacles and problems facing exports in line with implementation of the policies of the Third Development Plan and to create facilities required for exports.

The proposals of the High Council of Non-Oil Export Promotion, if approved by the Council of Ministers, will be binding on all ministries, institutes, firms, within the purview of the relevant laws for the provision of export facilities. The Council has been retained in the Fourth Development Plan.

C.5. The Standing Committee for Export-Import Regulations

The Standing Committee for Export-Import Regulations was established in 1994 by virtue of Article 1 of the Executive Ordinance of Law on Export-Import Regulations. The Committee is based at the Ministry of Commerce and chaired by the Deputy Minister of Commerce. It consists of the representatives of the Ministry of Commerce, Ministry of Industries and Mines, Ministry of Agriculture Jihad, Ministry of Economic Affairs & Finance (Customs Administration of the Islamic Republic of Iran), Central Bank of the Islamic Republic of Iran, Management and Planning Organization, Iran Chamber of Commerce, Industries & Mines, and Central Committee for Fighting the Smuggling of Goods and Foreign Exchange. It is responsible for drafting legal bills and the resolutions of the Council of Ministers, Economic Council, and Economic Commission of the Council of Ministers with respect to the amendment and modification of the Act on Export-Import Regulations and the executive ordinance thereof; consideration of abrogation of monopolies impeding the growth of production or trade; consideration of amendment and modification of the customs tariff schedules annexed to the Act on Export-Import Regulations; and consideration and pursuance of proposals relating to the Export-Import Regulations.

C.6. The High Council of Free Trade- Industrial Zones
The High Council of Free Trade-Industrial Zones, comprising the Ministers of Economic Affairs and Finance, Commerce, the Interior, Labour and Social Affairs, Industries and Mines, Roads and Transportation, Petroleum, Power, Housing and Urban Development, Culture and Islamic Guidance, and Head of the Management and Planning Organization, Governor of the Central Bank, and the Secretary of the High Council of Free Trade Zones, was established by the decree passed by the Council of Ministers on 21 December 1997, in order to coordinate among the free zones organizations of the country and to perform the functions and duties, the Council of Ministers has under the "Free Zones Act" of 1993.

C.7. Supreme Supervisory Board on Guilds:
This Board is a high level body consisting of Minister of Commerce, Minister of the Interior, Minister of Economic Affairs and Finance, Minister of Industries and Mines, Minister of Labour, Minister of Jihad-e-Agriculture and Presidential representatives. The Board is responsible for formulating policies on and coordinating and supervising the affairs of businesses.

3. Division of authority between central and sub-central governments
The central government of the Islamic Republic of Iran is in charge of all issues pertaining to trade in goods and services. It was only in the Iranian year 1379 (2000), and by virtue of Article 117 of the Third Economic, Social and Cultural Development Plan Act, when some authority was delegated to the provincial governorates for the first time. Accordingly, the High Council of Non-Oil Export Promotion has been established in order to determine the export strategies of the country, to determine the aids and facilities granted to for export, to eliminate obstacles and problems facing exports, and to implement the objectives of the Third Development Plan. The proposals of the High Council, approved by the Council of Ministers will be binding for all Ministries, government institutes and firms, as well as other public institutions, and all natural and legal entities. At the provincial level, the "Provincial Export Promotion Committee" is presided by the Provincial Governor and comprises Provincial Directors General of Commerce, Customs Administration, Department of the Vice-President for Planning and Strategic Supervision, and other ministries and organizations as required in specific cases, and the Provincial Managing Directors of Bank Saderat (state owned commercial bank). The Office of the Provincial Director General of Commerce will act as the Secretariat of the Committee in each province.
Further, in order to facilitate and expedite investment and issuance of the pertinent authorizations and permits for non-governmental entities in the permissible fields, the establishment of a Provincial Investment Headquarters has been envisaged in Article 7 of the Act Amending Certain Articles of the Fourth Development Plan Act and Implementation of the General Policies Regarding Article 44 of the Constitution adopted in 2008. The Headquarters is presided by the Provincial Governor or his Planning Deputy and comprises Provincial Directors General of Industries and Mines, Agricultural Jihad, Labour and Social Affairs, Commerce, Economic Affairs and Finance, Cooperatives and Environment.

4. Any legislative programmes or plans to change the regulatory regime
The Islamic Republic of Iran is currently taking significant steps to eliminate trade restrictions, an objective included in the Fourth Development Plan, as it was in the Third Development Plan. Active interaction with the global economy is a major

objective of the Fourth Development Plan, and fundamental reforms are accordingly underway in the economic system of the country.

5. Laws and legal acts
The list of the major laws and legal acts applicable to trade in goods and services, is included in Annex 1.

6. Description of judicial, arbitral or administrative tribunals or procedures

A. The Justice Administration and kinds of juridical courts and procedures
According to Article 159 of the Constitution of the I. R. Iran, the courts of justice are the official authority to which all grievances and complaints should be referred.

A.1. Primary and appellate courts
According to the "Act on the Establishment of Public and Revolutionary Courts" of 1994, and the "Act on Civil Procedures" of 2000, all commercial disputes are to be referred to general courts. The judgements of the public courts in civil cases are final, unless appeal is made thereto, within a specific deadline. The appeals in each province will be referred to the provincial appellate courts, whose judgements are final except in certain cases, where the relevant appeals will be referred to the State Supreme Court.

A.2. The Supreme Court and the Court of Administrative Justice
According to Article 161 of the Constitution, the State Supreme Court has been established for the purpose of supervising the proper implementation of laws by the courts, ensuring uniformity in jurisprudence, and fulfilling any other responsibilities assigned to it by law, on the basis of regulations determined by Head of the Judiciary.
The Chief Justice of the State Supreme Court shall be appointed by Head of the Judiciary in consultation with the judges of the State Supreme Court for a five year period. Ensuring uniformity in the jurisprudence is one of the major responsibilities of the State Supreme Court. Accordingly, if there is any inconsistency in the judgements made by the different Chambers of the Supreme Court or primary courts in the same matter, indicating different interpretations of the law, the case will be considered by the Full Bench of the Supreme Court, whose ruling shall be deemed as binding as law on all courts.
In addition, acting as the authority to appeal the judgements and rulings of courts, the State Supreme Court supervises the proper implementation of law by courts.
In order to decide on the complaint, grievances and objections of the people with respect to government officials, organs or statutes, the Court of Administrative Justice has been established under the supervision of Head of the Judiciary. Judges of courts shall refrain from giving effect to statutes and regulations of the Executive branch, which are in conflict with the laws and the Islamic norms, or which lie outside the competence of the Executive branch. Every individual has the right to demand the annulment of any such regulation from the Court of Administrative Justice.

B. Quasi-judicial proceedings
According to Article.1 of the Dispute Settlement Councils Act, these councils shall be established under the supervision of the Judiciary in order to settle and conciliate the disputes between natural persons and non-governmental legal persons. The main function of this quasi-judicial institution is to endeavor to bring conciliation between

parties to the disputes before filing a complaint at the judicial courts. The jurisdiction of such councils is confined to issues such as civil affairs, movable properties, debts and contractual obligations, and is subject to certain value limitations as stipulated in the aforementioned Act.

C. Arbitration

According to Article 2 of the "Act on International Commercial Arbitration" of 1997, arbitration on disputes in international trade issues, including international sales of goods and services, transportation insurance, financing, consultation, investment, technical cooperation, representation, commission, contract work and other similar activities is to be carried out under the provisions of the above mentioned Act.

However, according to the "Civil Procedures Act" of 2000, in the deeds and contracts concluded between Iranian and foreign entities, the Iranian side cannot in any way commit itself before any dispute is raised, to refer any such future dispute to an arbitrator or a panel of arbitrators of the same nationality as their contractual counterpart.

In addition, according to Article 457 of the "Civil Procedure Act" which directly derives from Article 13 of the Constitution of the I. R. Iran, the referral of disputes regarding the public and state property is subject to prior approval of the Council of Ministers, of which the parliament shall also be informed. In cases where the other party to the dispute is a foreign entity, or where the subject matter of the dispute is of a kind recognized to be important by the law, the approval of the parliament is also necessary.

It is noteworthy that I. R. Iran has signed and ratified the 1985 New York Convention on the Enforcement of Foreign Arbitral Awards.

C. Administrative courts or tribunals

In addition to the general courts, several regulations have provisions regarding administrative courts or tribunals for specific purposes, among which the following are relevant to trade in goods and services.

C.1. Customs Dispute Settlement Commission

Consisting of representatives from the Customs Administration and the Ministries of Commerce and Economic Affairs and Finance, the Customs Dispute Settlement Commission is in charge of settling disputes between the Customs authorities and the owners of the goods, regarding the determination of the goods, their description and customs tariff, and any other dispute arising from the implementation of customs and import-export regulations.

The awards of the Commission are final, except for in cases specified in the "Customs Affairs Act". In such cases where appeal has been made to the Commission's awards, the dispute will be referred to the Appellate Commission, comprising a high-ranking official of the Ministry of Economic Affairs and Finance selected by the Minister of Economic Affairs and Finance, a senior judge chosen by the Ministry of Justice, an official of the Ministry of Commerce chosen by the Minister of Commerce, a member of the Board of Directors of Iran Chamber of Commerce, Industries and Mines, and Head of Customs Administration or his representative. The awards of the Appellate Commission are final.

C.2. Tax Dispute Settlement Panel

Except otherwise provided for in the "Direct Taxation Act", the Tax Dispute Settlement Panel, consisting of a representative from the Ministry of Economic Affairs and Finance, a judge from the Judiciary, as the case may require representatives from Iran Medical Organization, the Iranian Bar Association, the Central Guild Council, and Iran Chamber of Commerce, Industries and Mines, is in charge of settling disputes between the State Tax Organization and tax payers.

C.3. The Banking Disciplinary Panel

According to Article 44 of the "State Monetary and Banking Act", the Banking Disciplinary Panel, consisting of a representative of the Attorney General and a member of the Council of Money and Credit, is in charge of trying any violation of the said Act and its By-Laws as well as the administrative orders of the Central Bank issued under those regulations. The awards of the Banking Disciplinary Panel can be appealed within 10 days in the Council of Money and Credit, whose decisions are final.

C.4. The Complaint Examination Commission of the Ministry of Culture and Islamic Guidance

This Commission is in charge of settling disputes regarding literature, art and scientific works through conciliation, short of which the parties to the dispute may refer it to courts of justice.

C.5. The Evaluation Commission of the High Council of Informatics

This Commission is in charge of settling disputes regarding computer software. The awards of the Commission can be appealed in the courts of justice.

IV. POLICIES AFFECTING TRADE IN GOODS

1. Import regulation

The Islamic Consultative Assembly (the Parliament) and the Council of Ministers determine the main export-import regulatory rules through the "Act on Export-Import Regulations" and its Executive Ordinance, annual Budget Acts and the circulars of the Central Bank. The Islamic Consultative Assembly (the Parliament) enacts the "Act on Export-Import Regulations" as well as the annual Budget Acts, while the Council of Ministers is in charge of the enactment of the Executive Ordinance of the "Act on Export-Import Regulations". The circulars regarding currencies are prepared by the Central Bank.

At present, the slightly modified version of the Iranian year 1372 (1993) "Act on Export-Import Regulations" and its affiliated By-Law (ratified by the Council of Ministers in the Iranian year 1373 (1994)) are the main governing regulations on the export-import of goods and services. The Ministry of Commerce, upon necessity, proposes modifications for these two bodies of law which are to be ratified by the Council of Ministers. Such modification, then, would be annexed to the “Act on Export-Import Regulations” and accordingly published for the public information. Also, some parts of import-export general regulations e.g. registration and licensing requirements, list of the products necessary to meet certain technical regulations and other executive criteria are determined by the different ministries (especially the Ministry of Commerce), the Central Bank and other agencies authorized by the more general rules governing the commerce sector. These regulations are administered by the responsible agencies, Customs in particular.

A. Registration requirements for engaging in importing

A.1. Import registration formalities

As a general rule in order to engage in foreign trade of goods in I. R. Iran, all persons whether natural or legal shall have a "Commercial Card", which is to be issued by Iran's Chamber of Commerce, Industries and Mines. The Card shall be valid for 5 years upon approval of the Ministry of Commerce. The following are the qualifications required of natural persons who apply for the Commercial Card as enumerated in Article 10 of the Executive Ordinance of the Export-Import Regulations Act:

1. Being of minimum 21 years of age.
2. Holding a certificate of completion of, or exemption from the military service for men.
3. Having a minimum three year experience in commercial or production activities, as confirmed by two commercial card holders, or having university education credentials, or holding a production license issued by a ministry dealing with production affairs.
4. Possessing a place of business, whether owned or leased, appropriate for the desired line of activity.
5. Having legal books and submitting a business registration form.
6. Having a current account at one of the domestic banks.
7. Not being employed by government agencies.
8. Not being a fraudulent or voluntary bankrupt.
9. Not having major penal convictions.

All but the second of the above mentioned qualifications, also apply in case of foreign natural persons, who in addition shall have work and residence permits. Such foreign nationals can only apply for a commercial card in case their national government reciprocates the same treatment to the Iranian nationals residing in their respective countries. The qualifications required of legal entities, whether incorporated and registered in Iran or first incorporated abroad and then registered in Iran are as follows:
1. The managing director and chairman of the board of directors of the applicant firm shall satisfy qualifications No. 1, 2, 7, 8 and 9 above for natural persons;
2. The applicant firm itself, shall satisfy qualifications No. 4, 5, 6 and 8 above for natural persons. The applicant firm shall also be registered in Iran and have a permit to operate in Iran. In the case of legal entities too, there shall be reciprocity in treatment of Iranian firms by the respective government of the applicant firm.

A.2. Import registration in the Ministry of Commerce
According to Article 8 of the act on Export-Import Regulations, all importers whether from government or non-government sectors, shall only refer to the Ministry of Commerce for the registration of imports, and by virtue of Note 1 to this Article such registration is enough for the clearance of the imported goods from the Customs, and there is no need for any separate licenses for customs clearance purposes. Also, According to Article 5 of the Executive Ordinance of the "Act on Export-Import Regulations" it is necessary for all importable products (with some exceptions listed below) to be registered in the Ministry of Commerce. Accordingly all importers _ whether from the state or from the private sector _ are required solely to register imports in the Ministry of Commerce (Article 8 "Act on Export-Import Regulations"). Exceptions on import registration requirement are:
(1) Goods required by frontiersmen and their cooperative firms, seamen and vessel crew as listed in the Executive Ordinance of the "Act on Export-Import Regulations", provided they are in non-commercial quantities.
(2) Certain military goods whose importation is approved by the Minister of Defense and Logistics of the Armed Forces and also goods specific for the Atomic Energy Organization, provided their importation is ratified by Head of the Atomic Energy Organization.
(3) Goods imported by passengers in non-commercial quantities as per the list provided by the Ministry of Commerce.
(4) Goods imported via mail in non-commercial quantities.
(5) Commercial and production-related samples in non-commercial quantities.
Imports are to be registered in the Ministry of Commerce solely for the statistical analysis as well as information purposes. To this end, the importers provide information on the details of the product they wish to import. This includes the value of the goods, the type of agreement, the quantity of goods, means of transportation, validity duration of the agreement, the currency involved, packaging, customs tariff code, weight and trade mark of the product the origin and the loading port.
It can be seen, therefore, that import registration dose not have any restrictive role and in case the importation is authorized by law, there exists no reason for rejection. The registration fee is limited to 0.05% of the value of the pro forma invoice. The state enterprises who receive state budgets are exempted from paying this fee.
In cases where the Remarks contained in the relevant Chapter of the National Tariff Schedule require technical, health or security licenses of other agencies for the

importation of certain goods, the importer will first have to apply for such licenses before proceeding with import registration at the Ministry of Commerce.

B. Characteristics of national, customs tariff nomenclature, types of duties, general description of the customs tariff structure, weighted average level of duties on main customs tariff groupings, application of MFN tariff rates, tariff preferences

B.1. Types of duties

Before 2002, the National Tariff Schedule (NTS) in Iran was a complex one, in which tariffs comprised several elements. However, since then and specifically after the enforcement of the "Act on Consolidation of Duties" in March 2003, the NTS has been significantly simplified, adding the transparency of the national tariff schedule. At present, tariffs are denominated "import duties" in the NTS.

Import duties are collected against imported goods, and levied on an ad valorem basis (except for a very few number of tariff lines, for which compound duties are used). According to a Parliamentary decision, there has been a bottom line of 4% set for tariffs. This means that the Government can determine tariffs, above the minimum 4% rate, pro rata to the protection necessary for individual goods, and this need not be approved by the Parliament.

B.2. The most recent version of the National Tariff Schedule in accordance with the Harmonized System and the conditions for importation

At present the 2002 version of Harmonized System with 8 digit codes is used in the Iranian National Tariff Schedule, which currently (2007-2008) includes 6731 tariff lines. A chapter 98 (comprising 99 tariff lines) has also been incorporated into the NTS, which includes vehicles and parts and accessories thereof.

B.3. Customs tariff structure and weighted average of duties on main customs tariff groupings

The simple arithmetic average of import duties in Iran's NTS is currently 25.5%. The figure is 25% for industrial goods and 29.6% for agricultural goods.

To demonstrate a more lucid picture of the absolute frequency distribution and the relative frequency distribution of Iran’s NTS, Table 18 is depicted which offers an accurate pattern of Iran’s tariff policy. As demonstrated in the table, 2278 tariff lines (that is 33.8% of the total tariff lines) have the minimum tariff rate of 4 percent (which has the highest frequency among tariff slabs), and about 44% of the tariff lines have tariff rates less than or equal to 10 percent. Goods having tariffs more than 100% constitute less than 0.5% of the tariff lines in the NTS. The highest tariff rate in NTS is 200%.

The statistics for the Iranian year 1385 (2006-2007) indicates that an average import duty of 11.6 percent was actually collected for the total imported goods in that year.

Table 18. Absolute and relative frequency distribution of Iran's tariff rates, classified according to HS chapters in 2005.

Cumulative frequency and share till the next class		Frequency and share in each class		Classified tariff rates (T*)	No.
% of total	Tariff lines	% of total	No. of tariffs		
33.8	2278	33.8	2278	4	1
34	2304	0.4	26	5	2
44	2999	10.3	695	10	3
52	3556	8.3	557	15	4
60	4095	8	539	20	5
65	4396	4.5	301	25	6
72	4844	6.7	448	30	7
72.6	4888	0.7	44	35	8
77.4	5214	4.8	326	40	9
82.5	5555	5	341	45	10
84.4	5681	1.8	126	50	11
86	5798	1.7	117	55	12
86.6	5831	0.5	33	60	13
88.6	5964	1.9	133	65	14
92.5	6231	3.9	267	70	15
92.6	6239	0.1	8	75	16
92.8	6255	0.2	16	80	17
94	6334	1.2	79	90	18
94	6339	0.07	5	95	19
98	6599	3.8	260	100	20
98.4	6624	0.3	25	120	21
98.4	6627	0.0	3	150	22
98.5	6632	0.07	5	200	23
98.5	6632	98.5	6632	Total (without chapter98)	
100	6731	100	6731	Total (with chapter98)	

*T=tariff rate, i.e. import duties as denominated in the NTS

Note: Tariff rates for chapter 98 of the NTS which covers parts and accessories of vehicles (99 tariff lines) and includes about 40 tariff slabs, are not considered in the table. However, Chapter 98 has been included in the calculation of share of tariff slabs in the total NTS tariff lines.

B.4. Application of M.F.N. tariff rates and tariff preferences

Tariff rates in the I.R Iran are applied on a non-discriminatory basis for all countries. However, a very limited number of goods have been subject to the exchange of concessions in the framework of the Preferential Trade Agreement between the I. R. Iran and Pakistan.

C. Tariff quotas, tariff exemptions

There is no tariff quota applied in Iran's trade regime.

No country receives tariff exemption except those which have preferential trade agreement with Iran. In addition, since the beginning of the Iranian year 1382 (March2003), all tariff exemptions enjoyed by some government agencies have been eliminated by virtue of the "Act on Consolidation of Duties".

D. Other duties and charges, specifying any charges for services rendered

There are no taxes, fees or charges, other than "import duties" _ the last version of which is annually published as an attachment to "the Act on Export-Import Regulations Book" by the Ministry of Commerce _ collected against imported goods. It is noteworthy that before the Iranian year 1382 (March 2003) and the ratification of the Act on the Consolidation of Duties, there were different charges and duties collected against imports, all of which were accumulated and integrated into tariff rates. In fact the minimum 4% as import duties is equivalent to those accumulated different charges, and the government is therefore not allowed to set any lower tariff rates.

Customs fees are the amounts collected against the services rendered by the Customs and ports and have nothing to do with tariffs. These services include handling, loading and unloading, stacking, warehousing, and insurance for non-insured goods or those with expired insurance coverage.

E. Quantitative import restrictions, including prohibitions, quotas and licensing systems

There exist no quantitative restrictions on imports in the trade regime of the I.R. Iran.

Import prohibitions in the I.R. Iran are only applied on such items whose sales, purchase and consumption is prohibited by the Islamic principles or according to laws as dictated by the specific exigencies of the country. By virtue of Note 2 of Article 2 of the "Act on Export-Import Regulations", the list of such prohibited items is determined by the Council of Ministers. In the Iranian year 1385 (2006-2007) from among 6924 tariff lines, the importation of only 74 items (comprising about 1% of the total NTS tariff lines) was prohibited. Table 19 lists the number of tariff lines in each HS chapter prohibited for importation. A List of such prohibited items is also given in Table 20.

Table 19. Import prohibited items arranged in terms of frequency and classified according to HS chapters in the Iranian year 1385 (2006-2007).

prohibited tariff lines		**total Number of headings in chapter**	**HS section**	**HS chapter**	**No**
Share of tariff Lines,%	**No of Tariff Lines**				
100	20	20	19	93	1
78.2	18	23	4	22	2
17.5	13	74	1	2	3
7	4	56	20	96	4
10.8	4	37	8	41	5
8.8	4	45	2	12	6
7.5	3	40	1	1	7
11.1	3	27	4	16	8
3.3	2	61	3	15	9
10	1	10	2	13	10
5.8	1	17	1	5	11
4	1	25	4	23	12
0	1	716	16	84	13
1	75	total of section			

Table 20. The import prohibited items in the Iranian year 1385 (2006-2007).

Description	**Tariff Code**	**No.**
Live swine	01031000	1
Live swine weighing less than 50 kg	01039100	2
Live swine weighing more than 50 kg	01039200	3
Meat of swine, fresh or chilled, Carcasses and half carcasses	01031100	4
Meat of swine, fresh or chilled, Hams, shoulders and cuts thereof, with bone in	02031200	5
Meat of swine, fresh or chilled, Other	02031900	6
Meat of swine, frozen, Carcasses and half carcasses	02032100	7
Meat of swine, frozen, Hams, shoulders and cuts thereof, with bone in	02032200	8
Meat of swine, frozen, Other	02032900	9
Edible offal of swine	02063000	10
Edible offal of swine, Livers	02064100	11
Edible offal of swine, Other	02064900	12
Pig fat	02090000	13
Meat and edible meat offal, salted…, of swine, Hams…	02101100	14
Meat and edible meat offal, salted…, of swine, bellies…	02101200	15
Meat and edible meat offal, salted…, of swine, other	02101900	16
Pigs', hogs', or boars' bristles and hair and waste thereof	05021000	17
Poppy seeds	12079100	18
Poppy seed flour	12089020	19
Coke leaves	12112000	20
Poppy straws	12113000	21
Opium	13021100	22
Pig fat	15010000	23
Imitation lard	15179010	24
Hams and cuts thereof, of swine	16024100	25
Shoulders cuts thereof, of swine	16024200	26
Other meat products of swine	16024900	27
Beer made from malt	22030000	28
sparkling wine	22041000	29
other wine, in containers holding 2 l. or less	22042100	30
Other kinds of wine	22042900	31
Other	220430	32
Vermouth and other wine of grapes, in containers holding 2l. or less	22051000	33
Vermouth and other wine of grapes, other	22059000	34
Other fermented beverages	22060000	35
Undenatured ethanol 100% pure	22071010	36
Other	22071090	37
Ethyl alcohol and other spirits, denatured of any strength	22072000	38
Spirits obtained by distilling grape wine or grape marc	22082000	39
Whiskies	22083000	40
Rum and tafia	22084000	41
Gin and Geneva	22085000	42

Description	Tariff Code	No.
Vodka	22086000	43
Liqueurs and cordials	22087000	44
Other spiritual beverages	22089000	45
Wine lees, argol	23070000	46
Other raw hides and skin of swine	41033000	47
Tanned or crust hides of swine, in wet state	41063100	48
Tanned or crust hides of swine, in dry state	41063200	49
Prepared leather of swine	41132000	50
Machinery used in manufacture of wines	84351010	51
Military weapons, self propelled	93011100	52
Military weapons, other	93011900	53
Rocket launchers…	93012000	54
Other military weapons	93019000	55
Revolvers and pistols	93020000	56
Muzzle loading firearms	93031000	57
Other sporting or hunting shotguns	93032000	58
Other sporting or hunting rifles	93033000	59
Other firearms	93039000	60
Other arms	93040000	61
Parts and accessories of revolvers or pistols	93051000	62
Shotgun barrels	93052100	63
Other parts and accessories of shotguns or rifles	93052900	64
Parts and accessories of military weapons	93059100	65
Other	93059900	66
Cartridges	93062100	67
Other shotgun cartridges and parts thereof	93062900	68
Other cartridges and parts thereof	93063000	69
Other bombs, grenades, torpedoes, mines, missiles, and similar munitions of war and parts thereof	93069000	70
Swords, cutlasses, bayonets, lances and similar arms and parts thereof	93070000	71
Cosmetic brushes made of pig and boar hair	96033010	72
Paint brushes made of pig and boar hair	96034010	73
Other brushes made of pig and boar hair	96035010	74
Other brooms, brushes, sweepers, mops and dusters, made of pig and boar hair	96039010	75

Licensing systems in Iran are non-discriminatory and transparent, in such a manner that they are fully predictable for importers. The latest import requirements and tariff rates for all tariff lines are annually annexed to “the Act on Export-Import Regulations Book” and published for the public use. The licensing procedures are also applied impartially.

F. Import licensing procedures

According to Article 8 of the Act on Export-Import Regulations, all importers whether from government or non-government sectors, shall only refer to the Ministry of Commerce for the registration of imports, and by virtue of Note 1 to this Article such

registration is enough for the clearance of the imported goods from the Customs, and there is no need for any separate licenses for customs clearance purposes, and the Central Bank and the Customs Administration are obliged to submit the statistics regarding import registrations for which letters of credit have been issued as well as the statistics regarding Customs Clearance of the goods, to the Ministry of Commerce and Iran Chamber of Commerce, Industries and Mines every three months.
The ministries and government agencies, compliance with whose standards or acquirement of whose certificates is a requisite for importation or exportation of some goods, shall notify the importers, exporters and the relevant executive bodies of their relevant conditions and criteria, through publication of the applicable regulations in the press. Such ministries and government agencies shall also formulate and publicize the timeframes of examinations they carry out.
In cases where there have been mandatory standards set and publicly notified for the importation of some goods, the importers shall mention such standards in the documents of the contract as well as in the import registration form, so as to oblige the sellers of the goods to comply with them.

G. Other border measures, e.g. any other schemes that have border effects similar to those of the measures listed under 4.1.6. above
There are no measures other than those expressed in the previous section and the application of technical regulations and standards in case of items subject to mandatory standards which will be covered in the coming sections.

H. Customs valuation
As the I.R. Iran is a member of the Customs Cooperation Council (the World Customs Organization), the procedures used in the Customs including those regarding customs valuation of the goods are similar to those of other countries.
Generally speaking, the real transaction value of imported goods shall not be concealed from the Customs, and in the I.R. Iran the Customs is in charge of evaluation of the imported goods. In case the declared value is less than the real transaction value the Customs decides the true value of the goods. "The Customs Affairs Act" of the Iranian year 1350 and its Executive By-Law have laid down the evaluation methods for this purpose. According to Article 10 of the said Law "In all circumstances, the value of the imported goods is the CIF price plus the costs of credits or payment of the bills of exchange as well as costs related to the royalty for using designs, models and trade marks and any other costs incurred up to the first Customs Office, (such value is) determined from the invoice or other documents submitted by the owner and will be (calculated) by the exchange rate announced by the Central Bank on the day in which the declaration is submitted. The value determined by the Customs if not protested by the owner within one month after the written notification of the Customs shall be deemed final and in case of protest, the Customs Dispute Settlement Commission shall decide".

I. Other customs formalities
In addition to the cases mentioned in the previous sections, other customs formalities in the Customs Affairs Act and its By-Law are about abandoned goods, domestic transit of goods, breaches of customs regulations and smuggling.

J. Pre-shipment inspection

At present, the inclusion of pre-shipment clauses in the contracts or other documentation regarding importation of goods is not mandatory. However, the importation of those goods which are subject to mandatory standards, is only permitted if a Certificate of Surveillance issued by an inspection institute approved by the ISIRI, accompanies the shipment documents. A list of imported goods subject to mandatory standards is annually published by the ISIRI.

K. Application of internal taxes on imports

Since the ratification of the "Act on Consolidation of Duties" in the Iranian year 1382 (March 2003), no taxes or charges other than import duties are levied on imports.

L. Rules of origin

There are no specific regulations in the I.R. Iran's trade regime regarding the application of rules of origin. However, the trade agreements signed between the I.R. Iran and other developing countries and some regional groupings contain some provisions on preferential rules of origin.

M, N & O. Anti-dumping regime, countervailing duty regime, & safeguard regime

There is no specific regime with regard to these fields in Iran.

2. Export regulation

A. Registration requirements for engaging in exporting

The exportation of goods requires no registration either at the Ministry of Commerce or at the banking system. For the statistical purposes, according to customs formalities, exporters shall fill out a customs declaration form, which includes the specifications of goods to be exported. Exporters are required to have a Commercial Card.

B. Customs tariff nomenclature, types of duties, duty rates, weighted average of rates

Iran's nomenclature and classification of exportable goods is in line with the Harmonized System (HS 2002). Except in special cases concerning primary materials, exportation of goods is exempted from customs duties and levies but is subject to paying fees for customs services received. Except for cases where there are export discounts, the customs fees for exports and imports are the same. With respect to exportation of goods, the fees for handling, unloading, loading, stacking and stowing in the means of transport are subject to a 75% discount and the fees for determining classification and tariffs of the goods, extraordinary services (i.e. those for overtime work), protection, supervision and escorting shall be paid at a 50% discount.

C. Quantitative export restrictions, including prohibitions, quotas and licensing systems

The exportation of most of the goods is permitted with no need to obtain a license. However, the Islamic Shari'a, has forbidden the purchase, sales or consumption of a few goods, which are accordingly prohibited for exports. Finally, there are some other goods, the exportation of which is subject to licensing.

In accordance with the Third Economic, Social and Cultural Development Plan Act of the Islamic Republic of Iran and its related Circulars, the exportation of all goods, with the exception of the following items, is permissible:

1. antiques and objects of cultural heritage;
2. animal, plant and vegetable items considered to be of significance to the preservation of genetic resources or environment;
3. exportation of goods subsidized by the Government. These goods include wheat; (except for domestic production); subsidized sugar; subsidized vegetable oils (the exportation of non-subsidized vegetable oils, detergents, plant and animal pesticides, and animal and bird vaccines agents is allowed); seeds (except for seeds of vegetables and summer crops); paper for publications, printing and writing; human medicaments (animal medicaments may be exported); chemical fertilizers; and livestock feed.

Apart from above-mentioned cases, the exportation of goods is only subject to observing compulsory standards and does not require any licenses from the Ministry of Commerce or other government agencies. Such documentation as certificate of origin, sanitary and phytosanitary certificates, inspection certificate and standard certificate, usually required by the buyers in international trade, are issued respectively by Iran Chamber of Commerce, Industries and Mines; the Ministry of Health and Medical Education; the Ministry of Jihad-e-Agriculture; inspection bodies or companies; and the Institute of Standards and Industrial Research of Iran in the case of certain goods. However the exportation of the above mentioned goods is permissible when proposed by the relevant government agency and approved by the Council of Economy, in which case it is subject to the reimbursement of the subsidies paid for such goods to the Organization for Protection of Consumers and Producers.
Exportation is not subject to any quotas.

D. Export licensing procedures

According to Article 114 of the Third Development Plan Act, except for items mentioned above, the exportation of all goods is permitted and needs no licenses. All circulars and directives regarding the exportation of goods shall be exclusively communicated to the relevant executive organizations by the Ministry of Commerce. Furthermore, the Ministries and organizations responsible for the issuance of the health and standard certificates shall issue the certificates impartially and in a non-arbitrary manner.

E. Other measures, e.g. minimum export prices, voluntary export restrictions, orderly marketing arrangements

There is no voluntary export restriction or orderly marketing arrangement in Iran's trade regime. In addition, the base export prices are determined by the Ministry of Commerce (the Standing Committee for Pricing of Exportable Goods) merely for statistical purposes, taking into consideration the approximate sale prices in international markets.

F. Export financing, subsidy and promotion policies

The Export Development Bank which is Iran's specialized bank of export and import provides exporters with the following services:
1. granting credit facilities for purchasing, collecting, producing, packing and other pre-shipment expenses;
2. securing necessary resources in order to purchase industrial capital goods required for producing exportable products;
3. providing necessary resources for importing primary materials and machinery required by exporters who are able to earn foreign exchange through production and exportation of their products;

4. mobilizing financial resources required for land and sea transportation, transit, loading and unloading or re-export of goods;
5. extending foreign exchange facilities to producers for the purchase (temporary import) of primary materials and their export to other countries;
6. conducting and participating in projects related to exportation in the Free Trade Zones of Iran.

Other banks are also granting similar export facilities to exporters.

The Export Guarantee Fund has been established to guarantee credits and investments related to exportation of goods and services, to provide necessary facilities and to guarantee the sums due exporters of goods and services by foreign buyers against risks not usually insured by commercial insurance companies. The Fund covers both commercial and political risks including:

1. buyer's failure to accept the exported goods and services;
2. non-payment of the price of goods or services on due date;
3. buyer's financial default due to bankruptcy or insolvency;
4. outbreak of war or state of war;
5. straining or severance of diplomatic relations with the buyer's country resulting in the exporter's failure to collect his / her claims on due date;
6. adoption of economic policies in the buyer's country which block the exporter's claims;
7. expropriation and nationalization of the buyer's properties resulting in the exporter's failure to collect his / her claims;
8. other risks beyond the control of the exporter and the buyer which result, at the discretion of the Board of Directors of the Fund, in the exporter's failure to collect his / her claims.

In order to partly offset the exporters' loss of prospective profits due to domestic inflation and exchange rate stabilization, there are export incentives considered, which only account for a small part of the value of exports of the goods concerned.

In accordance with Article 12 of the Export-Import Regulations Act, the pre-exportation entry (temporary importation) of materials and goods to be used in producing, finishing, processing and packaging of exported goods are exempted from all import duties.

As per Article 141 of the Direct Taxation Act, 100% of the income derived from exportation of different goods that have been, or will be, imported to Iran on transit and are exported without making any changes in the substance thereof, or doing any works thereon, shall be exempt from taxation. Furthermore, in accordance with the Fourth Development Plan Act, 100% of the income earned from exportation of goods and services shall be exempt from taxes. And, under the Act on Consolidation of Duties, the taxes and duties of exported goods (except cigarette and oil products) shall be refundable against introducing valid payment receipts.

G. Export performance requirements

Under the Executive Ordinance of the Act on Export-Import Regulations, exporters who temporarily import primary materials, parts and other productive requirements shall be obliged to export finished goods equivalent at least to 125% of the value of goods imported temporarily. This provision shall not cover the temporary import of packaging requisites.

H. Import duty drawback schemes

Pursuant to the Export-Import Regulation Act, all import duties (except those designated as expenses or fees) received with respect to foreign goods, materials, parts and components used in producing, finishing, processing and packaging of exported goods shall be refunded to the exporters.

3. Internal policies affecting foreign trade in goods

A. Industrial policy, including subsidy policies

By virtue of the Fourth Economic, Social and Cultural Development Plan Act of the I.R. of Iran, the main elements of Iran's current industrial policies are briefly as follows:

1. drawing on the resources of "Foreign Exchange Reserve Account" with a view to supplying credits necessary for investment and partly financing those non-governmental sector's projects in productive, industrial, mining, agricultural, transportation, services (including tourism, etc), information technology and technical–engineering services fields which have a technical and economic justification. (Article1)
2. prohibition of any discount, preference or exemption with respect to import duties and taxes, except those enunciated in the related legislation, for natural and legal persons including Ministries and government institutions and companies during the implementation period of the Fourth Development Plan. (Article 4)
3. encouragement of governmental and non-governmental industrial, agricultural and services entities through granting national productivity prizes to productive entities with a view to promoting the quality of products and services and realizing the productivity objectives of the Fourth Plan. (Article 5)
4. an attempt on the part of Government for privatization and enabling of non-governmental sector in the process of development by any possible ways such as deregulation, management transfer (e.g. rent, general contract and management contract) and ownership transfer (e.g. lease-purchase, total or partial sale of shares, transfer of properties), or disintegration for transferring, dissolving and merging companies. (Article 6)
5. abolition of monopolies, promotion of competitiveness of economic activities and drafting a legislative bill on facilitation of competition and anti-monopoly conditions.
6. facilitating the establishment of technology towns, research institutes necessary to develop new and high technologies, special zones of high-technology industries in the vicinity of the country's scientific-industrial poles and the development of infrastructures with the aim of reducing the costs of production and creating competitive advantages and in line with the requirements of the country's economic development.

In the Fourth Development Plan, the following policies have been stipulated as to the industrial sector:

1. payment of the whole or a part of the interest of credit facilities for investments and acceptance of repayment guarantee.
2. granting export prizes to the productive and industrial units leading in exports.

B. Technical regulations and standards, including measures taken at the border with respect to imports

The Institute of Standards and Industrial Research of Iran (ISIRI) is the main agency dealing with technical standards in Iran. It is in charge of laying down standards and

technical regulations and monitoring their implementation. It is also the main authority to ensure the compliance of domestic products as well as imports with such standards and regulations. Apart from ISIRI, however, The Atomic Energy Organization is in charge of monitoring the observance of standards relating to the "Act on Protection against Radiation", The Ministry of Health and Medical Education is in charge of setting and monitoring the implementation of standards of pharmaceuticals.
At present, in the following cases technical regulations and standards shall be observed in importation:
1. Imported equipment consuming or converting energy shall have technical specifications approved by the Committee established by virtue of the Executive By-Law of Note 19 (Paragraph 2) of the Second Development Plan Act, including standards of energy consumption, output and intensity as well as other technical requirements. Otherwise, such equipment may be imported subject to the payment of double import duties minus four percent. In any case, importers of energy equipment shall put a special label on such equipment and their packages to show their technical specifications and their conformity with the specifications approved by the Committee.
2. In accordance with the Act on Protection against Radiation, the Atomic Energy Organization supervises the importation of some goods and the importation and clearance from Customs of these goods require a license issued by the Organization.
3. Importation of diesel busses and mini busses lacking approved EURO-1 standard is prohibited.
4. Importers of gasoline vehicles shall observe the European standard ECE-15.04 or its equivalent 83/351/EEC. Further, as regards gases emitted by gasoline vehicles, some standards shall be fulfilled.
5. In cases where a compulsory standard is set by the Institute of Standards and Industrial Research of Iran, that standard shall be observed in production, exportation and importation of goods. For instance in this regard, the Mandatory Standard No.51 has been laid down regarding the operation and safety features of all imported vehicles.
As regards importation, the following are standards approved by the Institute of Standards and Industrial Research of Iran:
1. National Standard of Iran (ISIRI);
2. International standards including ISO, IEC, ITU and CODEX;
3. European standards (BSEN and DINEN) and national standards of EU member countries, including Great Britain (BSI), Germany (DIN), France (AFNOR), Italy(UNI),the Netherlands (NNI), Spain (AENOR), Portugal (IPQ), Belgium (IBN), Austria (ON), Denmark (DS), Luxemburg (SEE), Finland (SFS), Sweden (SIS), Ireland (NSAI), Greece (ELOT);
4. Standards of North American countries including ANSI, ASME, ASTM, UL, API and AGI;
5. Japan's national standards (JIS).

C. Sanitary and phytosanitary measures, including measures taken with respect to imports

Sanitary and phytosanitory criteria shall be fulfilled in importation in following cases:

1. According to The Act on Plant Protection (1967), the importation of any plant or its parts as well as importing, producing, transforming, packaging,

distributing and exporting of all pesticides, plant hormones and herbicides shall be subject to a license issued by the Ministry of Jihad-e-Agriculture.
Under Article 61(b) of the Fourth Development Plan Act, the criteria for importation, production, formulation and consumption of chemical fertilizers and pesticides while taking into account their environmental effects, shall be prepared by the Ministry of Jihad-e-Agriculture; Ministry of Health and Medical Education; Environmental Protection Organization and Institute of Standards and Industrial Research of Iran, to be approved by the Council of Ministers.

2. Pursuant to the State Veterinary Organization Act (1971), this Organization is in charge of sanitary control of import and export of animals and their raw products, supervision of their sales and purchases, issuance of sanitary certificate for their export, as well as evaluation and supervision of producing, importing, exporting and selling of various medicines, vaccines, serums and biological materials for animals.
3. Under the Act on Foodstuffs, Beverages, Cosmetics and Sanitary Materials (1967), customs clearance of foodstuffs, cosmetics and sanitary materials requires an import license issued by the Ministry of Health and Medical Education. Obtaining this license shall be subject to the demonstration of the safety of related material or product as well as the observance of pertaining compulsory standards by their importers and the issuance of licenses is subject to the registration of producer and product at the Ministry.
4. According to the Act on Medical and Pharmaceutical Affairs and Foodstuffs and Beverages (1955), the importation and customs clearance of any medicine or biological product as well as the production, domestic distribution or sale, and export of any medicine or biological product shall be subject to acquiring a license issued by the Ministry of Health and Medical Education. In addition, the production or importation of the materials and goods used in medical and dental equipment and the primary and packaging materials thereof, the list of which is published by the Ministry, require the prior permission of the Ministry. At present, the issuance of a license for clearance from Customs of pharmaceutical products is subject to confirmation of safety and quality of products and undertaking their full responsibility by the foreign producer (registered at the Ministry) and its official and exclusive representative which is in charge of importation. It is worth mentioning that the compulsory standards shall also be observed with respect to medical engineering equipment, as well as other items covered by those standards.
5. The Ministry of Health and Medical Education shall prepare and publish regulations on importation of permitted kinds and necessary quantity of breast-milk substitutes (powdered milk and infant supplementary foods) and these regulations shall be observed by the Ministry of Commerce. At present, in order to guarantee the safety and quality of breast-milk substitutes (powdered milk and supplementary foods), the issuance of a license for clearance from Customs of these products is subject to confirmation of their safety and quality and undertaking their full responsibility by the registered foreign producer and its official representative. In view of the special protection the Government provides for infants deprived of breast-milk, it annually purchases and accordingly distributes a certain part of breast-milk substitutes and the quantity of the powdered milk procured by the Government is annually

communicated to the Ministry of Commerce. Here again, the importation shall be subject to the observance of compulsory standards.

6. The I.R. of Iran is a member of various international conventions and organizations concerning sanitary and phytosanitory measures, including:
- Office International des Epizooties (OIE)
- International Plant Protection Convention (IPPC)
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (Basel Convention)
- Codex Alimentarius Commission (CAC) (A National Codex Committee has been established in Iran.)
- Rotterdam Convention on the Prior Consent Procedure for Certain Hazardous Chemical and Pesticides in International Trade (PIC)

D. Trade-related investment measures

There are no investment requirements in the I. R. Iran's regulations to contradict with the Agreement on Trade Related Investment Measures.

E. State-trading practices

Ministries, governmental organizations, institutes and enterprises, and non-governmental public entities are, to the extent as defined in their establishing acts or their articles of association, allowed to engage in commercial activities.

Although by virtue of some laws such as the Tobacco Monopoly Act, some governmental organizations or enterprises have been granted monopolistic powers in commercial activities, the monopolies of tobacco, tea and sugar purchasing and processing has now been abolished.

According to the Fourth Development Plan Act, in economic fields involving natural or legal monopolies, the Government is obliged to draft a legislative bill for facilitating competition and anti-trust conditions and submit it for approval to the Parliament. In addition, as regards the transactions of executive entities responsible for procuring the staple commodities for people, the loss of prospective profits due to sale of commodities at the scheduled prices and services costs shall be compensated by Government funds allocated to subsidies for commodities. State enterprises engaged in procurement of staple commodities are obliged to carry out the operations related to subsidized commodities separately. Therefore, all funds received in this respect are required to be spent exclusively for procurement of the same materials and commodities.

F. Free zones

In the I.R. Iran, there are six Free Trade-Industrial Zones, which have been established and administered by virtue of the Act on the Administration of Free Trade-Industrial Zones (1993). These Zones are as follows: Qeshm, Kish, Chabahar, Anzali, Jolfa and Abadan-Khorramshahr (Arvand) Free Zones. Each Free Zone is administered by an organization which is established as a company with autonomous legal status and its capital belongs to the Government. The Council of Ministers is responsible for approval of by-laws and coordination and overall supervision of all activities of each Zone. These responsibilities have been delegated to the High Council of Free Trade-Industrial Zones.

Direct entry of foreign nationals into Free Zones shall not require a visa. All natural and legal persons — whether Iranian or foreign — as well as international organizations may invest in Free Zones independently or in partnership with each other or with the

Free Zone Organizations and their affiliate companies. There is no limitation for foreign investors with respect to their share in economic activities of the Free Zones. In the Free Zones, all economic activities of natural or legal persons — whether Iranian or foreign — shall be exempt from payment of income and property tax referred to in Direct Taxation Act for 15 years as of the date of commencement of the operation. Furthermore, the legal rights of foreign investors shall be guaranteed and protected in the Free Zones.

The importation of all kinds of goods to the Free Zones is permitted with the exception of those which are prohibited by the Islamic Shari'a or Iranian laws expressly relevant to the Free Zones or which are banned by the special regulations of the Free Zones. The importation of goods into the Free Zones shall be exempt from import duties and shall be only subject to payment of port and airport charges, services charges and other local charges. The exportation of goods manufactured in a Free Zone to foreign countries or other Free Zones of the country shall be permitted but subject to submission of an export declaration for statistical purposes.

The importation of goods manufactured in the Free Zones into other parts of the country shall be exempt from import duties to the extent of their value added plus the value of raw materials used therein and only imported raw materials and components used in these goods shall be subject to import duties.

The importation of foreign goods (not manufactured in the Free Zones) from the Free Zones to other parts of the country shall be permitted, but their customs clearance shall be subject to observance of the general Export-Import Regulations and customs regulations. Likewise, the exportation of domestic goods (not manufactured in the Free Zones) from the Free Zones to foreign countries is subject to observance of the general Export-Import Regulations.

G. Special economic zones

Special Economic Zones (SEZs) have been established by virtue of the Second Development Plan Act and are administered according to the provisions of a Legislative Bill on the Establishment and Administration of the SEZs. The SEZs are administered under the supervision of the Council of Ministers, but the Council has actually delegated all of its duties and powers to the High Council of Free Trade-Industrial Zones.

The permitted activities in the SEZs are as follows:

1. keeping goods in trust;
2. accelerating and facilitating access to goods, including primary materials, machinery and other manufactures, for the purpose of supporting the domestic production;
3. processing of goods;
4. providing necessary facilities for major domestic and foreign purchasers to have access to their required goods in these SEZs, bringing the regional trading markets closer together;
5. creating opportunities for regional trading activities with respect to the markets of countries in the Central Asia, Caucasian and Trans-Caucasian, establishing relationship with the Asian and European countries etc., and benefiting from these markets;
6. absorption and mobilization of the domestic and foreign capital and capabilities for the realization of the above-mentioned objectives.

The importation of goods from abroad or from the Free Trade-Industrial Zones of the country into the SEZs shall be accomplished with the least customs formalities and all

goods imported from abroad into the SEZs for production or providing services required in the SEZs, shall be exempt from the general Export-Import Regulations. The owners of goods imported into the SEZs may, with the observance of the pertinent regulations, import all or parts of their goods into the country.
The goods imported into the SEZs from abroad, from the Free Trade-Industrial Zones, or from other SEZs may be exported without any formalities.

H. Trade-related environmental policies

Trade-related provisions of Iran's legislation having a bearing on environmental protection are as follows:

1. Under the Act on Plant Protection (1967), in order to protect plants against the entry of plant pests, the trade in plants and their seeds, bulbs, cuttings, slips, grafts, saplings, roots and fruits shall be controlled. To this end, the importation of the said items shall require a certificate issued by the Ministry of Jihad-e-Agriculture. The importation and exportation of all pesticides, plant hormones and herbicides shall also be subject to obtaining the said certificate.
2. According to the Act on Environmental Protection and Improvement, the importation and exportation of the wild animals and birds shall be subject to the approval of the Environmental Protection Organization.
3. In accordance with the Act on Protection and Exploitation of Forests and Rangelands, the exportation of fuel wood and wood charcoal is prohibited. Under the Act on Prevention of Air Pollution, making, producing and importing motor vehicles as well as engines and other parts related to combustion in vehicles shall be subject to observing environmental protection standards. In addition, due to their deteriorating effect on air pollution, the importation of two-stroke motorcycles is prohibited.
4. All importers and domestic producers of different gasoline motorcars and pickups are obliged to fulfill the European standard ECE15.04 or its equivalent 83/351 EEC in making or importing these vehicles. Further, the importation of motorcars and pickups requires the observance of some standards with respect to their exhaust emissions.
5. As per the Act on Protection against Radiation which has been adopted to protect employees, people, future generations as well as environment against harmful effects of radiation, any activity with respect to radioactive goods — e.g. importing, exporting, clearing, distributing, procuring, producing, making, etc. — shall require fulfilling the criteria set out in the said Act. Thus, importing and clearing from Customs of these goods shall be subject to obtaining a license from Iran's Atomic Energy Organization.
6. To comply with the commitments enunciated in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the entry or exit of live animals and plants covered by the Convention as well as their parts or goods made thereof shall be subject to introducing a special license to Customs officers.
7. The I.R. Iran acceded to the Kyoto Protocol to the United Nations Framework Convention on Climate Change in 2005.

I. Mixing regulations

There are no mixing regulations in the I. R. Iran trade regime.

J. Government-mandated counter-trade and barter

In the I. R. Iran, no counter-trade or barter is carried out by the Government. However, in the border provinces there are border transactions to take place in the different forms.

According to law, the amount of cross-border trade is set at 3% of the total imports each year, which can be carried out against exports of non-oil goods. This quota is broken down among the border regions and announced by the Ministry of Commerce. Each border region can then engage in imports and exports within the limits of its individual quota. Border imports and exports are subject to customs regulations and import duties are collected against border imports too.
In some cases the Government can exempt import duties of public foodstuff by 30 to 100 percent and of other goods up to 50 percent, taking into account the level of the deprivation of the area concerned.
All citizens of border regions, except those inhabiting in the central cities of the border townships, shall, by obtaining a cross-border trade card, enjoy the cross-border trade facilities and may embark on cross-border trade in the limits of the quota allocated to their respective region by the Ministry of Commerce.
At a border marketplace which is an enclosed area located in the zero point of the border and adjoining a Customs House, authorized to carry out clearance formalities, and the location of which may also be determined by agreements concluded between the I.R of Iran and the neighboring countries, citizens of the both sides of the border may offer to sell their products, subject to observing the Export-Import Regulations and the related criteria.
All natural persons residing as well as legal persons operating in the border zones are allowed to operate in the border marketplaces. Exporters of the border marketplaces may import goods up to the same value of their exported goods.

K. Trade agreements leading to country-specific quotas allocation
No specific quota has been allocated in the trade agreements concluded between the I.R. Iran and other countries.

L. Government procurement practices, including general legal regime and procedures for tendering, dealing with tenders and award of contract
Iran's governmental agencies are obliged to conduct their transactions, including purchase and rent of goods and services, with due regard to the uniform (uniformly applied) criteria spelled out in laws and by-laws concerning governmental transactions. Based on their values, transactions are divided into three categories of small, medium and large contracts. Small and medium contracts are exempt from the formalities concerning public and selective tenders and shall be concluded at the lowest possible prices determined by the procurement department and upon confirmation by the highest officer of the relevant executive agency. However, except for certain cases, large contracts with an estimated initial value of over Rls. 200 million at the constant price of the Iranian year 1383 (2003-2004) shall be carried out in accordance with the formalities of public or selective tenders.
Governmental transactions which are open to all domestic suppliers shall be publicized through the publication of notices of invitation to public tenders in widely circulated newspapers. These notices shall contain basic necessary information such as the nature of required goods or services; the deadline and place of receiving offers or bids; date, time and place of reading offers and determining the winning bidder, etc. The deadline for receiving bids shall be in no case less than 10 days for notices published in the country and 60 days for international tenders (calculated from the date of first publication of notices).
The "Commission on Tenders" is in charge of supervising and conducting tenders as well as determining the winning bidders for governmental agencies. The Commission

membership includes a representative appointed by the relevant Minister or head of the relevant agency, the state auditor of the relevant Ministry or governmental agency or his/her representative, and head of the department applying for tender or his/her representative. In the case of technical tenders, a technician appointed by the purchasing agency shall also participate in the Commission. The bids or offers shall be publicly examined in the presence of bidders or their representatives.

As regards the participation of foreign suppliers in domestic tenders, the purchase from abroad of foreign goods and services by executive agencies is in principle prohibited, provided that the required goods and services can be procured in domestic market (whether as domestic products or imported products available in domestic market). The exceptional cases shall be decided by the Council of Ministers. Therefore, all Ministries and governmental agencies, companies and institutions as well as all persons utilizing the state public budget resources are obliged to purchase their required goods and services through domestic tenders with announcement of requirements and possibly payment in Rails.

Furthermore, executive agencies shall conduct or conclude foreign transactions or contracts with a value of over \$ 1 million, exclusively through selective or international tenders with the publication of tender notices in widely circulated domestic and foreign newspapers. Prior to signing a contract with the executive agencies, foreign companies are required to register a branch in Iran, and in case the contract is signed by this branch, the parent company or institute shall guarantee the good performance of its branch. Unless otherwise decided by the Council of Economy, these companies shall accept the participation of one or more Iranian competent companies with a minimum share of %51 and the maximum utilization of Iranian experts and domestic materials and machinery. In addition, all non-expert, semi-skilled and unskilled labour engaged in the project shall be Iranian, and foreign contractors shall, according to a training package approved by the purchaser, take necessary measures to train the Iranian personnel so that they can carry out similar projects or run the project in its different levels of management and operation.

M. Regulation of trade in transit

The transit of goods through Iran is permitted and shall be carried out according to the provisions of the Act on Transit of Foreign Goods through the Territory of the Islamic Republic of Iran and its Executive By-Law.

All agencies in charge of transit operations or formalities of foreign goods, such as the Customs Administration, ports, transportation terminals, railway stations, airports and banks, are required to concentrate the transit affairs in a separate office or department, so that the formalities of transit can be totally performed in the said office or department as fast as possible and without interruption.

In terms of transit, goods in transit are categorized as permissible and prohibited. The transit of most of the goods is permissible, and facilities have been provided for their smooth passage. It is noteworthy that the transit of some permissible goods, such as radioactive, chemical elements, explosive materials, narcotic and poisonous materials, and livestock and plants and their products, shall require a license issued by the relevant organizations.

In order to ensure the passage of goods through customs territory and to prevent their unloading and sale in domestic market, those in charge of transit of goods are required to deposit a guarantee. The amount of this guarantee for permissible goods shall be equivalent to the sum of import duties and charges levied on importation. For

prohibited goods, the amount shall be the same amount plus triple the value of the goods. The guarantee may be a cash deposit or a bank surety bond.
Currently, the transit goods are not subject to any charges other than customs charges (for unloading, loading and warehousing) and the above mentioned guarantee. In other words, these goods are exempt from other charges such as import duties which are levied on importation. Nevertheless, by virtue of Article 132 of the Third Development Plan Act, a maximum toll of 50 Rials (currently 10 to 30 Rials) per ton/kilometer of the goods transported within the country shall be collected from the international transportation companies undertaking the transit of goods.
Under Iran's current legislation, the Customs Administration is required to provide facilities to the extent possible, for unloading, loading, transshipment, warehousing, cold storage of perishable goods, completion or change of packing of transit goods in the Customs area, etc. Likewise, according to Article 33(A) of the Fourth Development Plan Act, the Government is bound to "take measures to mobilize and equip the country's ports and terminals in order to develop safe, free and rapid transit and passage of goods and services at competitive fares."
The I.R. Iran is a party to the Customs Convention on the International Transport of Goods undercover of TIR Carnets (TIR Convention) and observes its provisions on transit.

4. Policies affecting foreign trade in agricultural products

A. Imports - i.e. comprehensive description of the types of border protection maintained: customs duties and/or any other border measures

Agricultural imports are subject to the payment of import duties. The simple average of import duties of agricultural products is 29.6 percent in the Iranian year 1386 (2007-2008). In this same year, the tariff rates are less than or equal to 15 percent for 349 tariff lines (42% of the total 824 tariff lines of agricultural products) and more than 15 percent for 475 tariff lines (58% of the total agricultural tariff lines).
Out of the total 824 agricultural tariff lines, the importation of only 44 tariff lines is prohibited. However, the importation of certain agricultural products shall require some certificates, namely: 1) Compulsory Standard Certificate, 2) Sanitary Certificate of the country of origin, 3) Livestock or Agricultural Quarantine Certificate, 4) Certificate of the Agreement concerning the Environmental Protection Organization, and 5) Certificate of the Atomic Energy Organization.

B. Exports - i.e. description of, and the budgetary expenditure and any revenue forgone involved in each of the export subsidy measures in place

Exporters, including those exporting agricultural products, enjoy the following advantages in Iran: lower profit rate of credit facilities, export guarantees, consulting services rendered by governmental agencies such as the Trade Promotion Organization, tax exemptions, discounts in transportation and customs charges, refund of import duties levied on imported goods used as input in exported goods.

C. Export prohibitions and restrictions

By virtue of Article 114 of the Third Development Plan Act, revalidated in Article 36 of the Fourth Development Plan Act, the regulation of domestic market shall not result in export prohibition. According to the said Article, exportation of all goods, except for the following items, is permissible:

1. antiques and objects of cultural heritage;

2. animal, plant and vegetable items considered to be of significance to the preservation of genetic resources or environment;
3. goods directly subsidized by the Government (permissible upon proposal of the relevant agency and approval by the Economic Council).
As per the said Article and its related circulars which culminated in the formation of the list of non-exportable goods, the exportation of other goods is permitted. Non-exportable goods include, among others, the following agricultural products: wheat (except domestic production), subsidized sugar, subsidized vegetable oils, seeds (except seeds of vegetables and summer crops), chemical fertilizers and livestock feed.

D. Export credits, export credit guarantees or insurance programmes
As regards export credits, export credit guarantees or export insurance programmes, agricultural products do not enjoy any special advantage other than those furnished to other exportable goods. In this respect, more information has been provided in the section on "Export Regulation" above.

E. Internal policies - i.e. description of, and the budgetary expenditure and any revenue forgone involved in each of the domestic support measures in place
Under the Act on the Guaranteed Purchase of Staple Agricultural Products and the Act on the Protection of Domestic Livestock Production, guaranteed prices shall be set and declared for certain farming, horticultural and livestock products. According to the decrees of the Council of Economy, farming products such as wheat, barley, rice, maize, sugar beet, unginned cotton, sunflower seeds, soybeans, colza oil seed, potato, onion, peas and lentil as well as horticultural products such as apple, date, orange, lemon (lime and sweet lemons), grapefruit, mandarin, pomegranate, raisin, fig and dried pieces of apricot are subject to determination and declaration of guaranteed prices. Some livestock products are subject to guaranteed prices too.
Guaranteed purchase of certain products covered by guaranteed prices shall be financed in accordance with the provisions of the Five-Year Development Plans and annual budget acts. Agencies commissioned by the Government to purchase guaranteed agricultural products shall initially receive some revolving funds from the banking system and finally, after making the related purchases, be compensated through the public budget for their incurred losses.
In addition to price protection, some inputs at subsidized prices are provided to the sector. Currently, in the agricultural sector, inputs such as fertilizers, pesticides and seeds are subsidized. Further, the electricity tariff for electropumps used in the agricultural water wells is lower than other economic sectors.

5. Policies affecting foreign trade in other sectors

A. Textiles regime
The simple arithmetic average tariff rate of fibers, textiles and clothing (HS chapters 50-63) in the Iranian year 1386 (2007-2008), amounts to 60.2 percent. It is worth noting that the minimum and maximum tariff rates of textiles and clothing are 4 and 100 percent.
In the Iranian year 1386 (2007-2008), out of total 823 tariff lines of HS chapters 50-63, 29 percent of tariff lines have a tariff rate of less than or equal to 30 percent, 6.2 percent of tariff lines have a tariff rate between 35 and 50 percent, and 65 percent of tariff lines have a tariff rate between 60 and 100 percent. In chapters 52, 53, 54, 55, 58

and 60, certain fabrics, textiles and fibers are subject to minimum rates of import duties: 18000 and 22000 Rials per kilogram for the relevant goods. Therefore, in case the duties computed on the basis of import duty rates are less than the above minimum rates, the differentials shall be collected as well.

Although the importation of some textile materials or products of chapters 51, 54, 55, 56, 58 and 63 had been prohibited in the past years, import prohibition was largely abolished since the Iranian year 1382 (2003-2004) and some previously prohibited goods have become subject to higher import duties. Since the Iranian year 1384 (2005-2006), the import prohibition in textiles sector has been confined to the importation of the hair and wool of animals, the meats of which are religiously banned as well as those not slaughtered in accordance with the Islamic Shari'a.

The importation of certain textile products shall require the observation of standards enunciated in the pertaining laws and the issuance of the necessary licenses by the Atomic Energy Organization, State Veterinary Organization, Institute of Standards and Industrial Research of Iran, and Ministry of Health and Medical Education, as the case may be.

B. Policies affecting foreign trade in other major sectors (vehicles and their parts)

In the I.R. Iran, the importation and exportation of vehicles and their parts are governed by specific laws and regulations. Under these laws and regulations, the importation of vehicles is subject to payment of import duties. In the Iranian year 1386 (2007-2008) the average import duty for vehicles covered by chapter 87 of the National Tariff Schedule (NTS) amounts to 32 percent. In this chapter, the minimum and maximum rates of import duties are 4% and 90% respectively. Depending on the share of domestic manufacture, import duty rates of C.K.D. parts used for manufacturing motorcars, work cars (cars without extra accessories), pick-ups and ambulances lie within the range of 25-90 percent, but this range for trucks and vans is 4-30 percent (covered by chapter 98 of the NTS).

There are 51 mandatory standards regarding the safety and operation of the imported vehicles and parts thereof.

V. TRADE-RELATED INTELLECTUAL PROPERTY REGIME

1. General

A. Intellectual property policy

Protection of IPRs has a long record in Iran, going back to the early 20th Century. The first Act on the issue was the "Industrial and Trade Marks Act", enacted in the Iranian year 1304 (1925) and replaced in the Iranian year 1310 (1931) by the "Trademarks and Patents Registration Act" which is still in force. As regards the copyright, the first Act was the "Act on the Protection of the Rights of Authors, Composers and Artists" which was passed in the Iranian year 1348 (1970) to be supplemented with the "Act Concerning the Translation and Reproduction of Books, Publications and Phonograms" and the "Act on the Protection of Computer Programs" in the Iranian year 1352 (1973) and the Iranian year 1379 (2000) respectively. In addition, the "Act on the Protection of Geographical Indications" was ratified in the Iranian year 1383 (2005). For reasons of space, other Laws involving the protection of IPRs will be enumerated later.

With respect to international agreements on intellectual property, it is worth mentioning that the I. R. Iran acceded to the "Paris Convention for the Protection of Industrial Property" (hereafter referred to as the "Paris Convention") in 1959. In recent years, Iran has become more active in this respect. Iran became a member of WIPO in 2001 and acceded to the "Madrid Agreement Concerning the International Registration of Marks" and the Protocol Relating to that Agreement, the "Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods" and the "Lisbon Agreement for the Protection of Appellations of Origin and their International Registration" in 2003, 2004 and 2005, respectively. This reflects Iran's great interest in the protection of IPRs.

B. Responsible agencies for policy formulation and implementation

The Department of Authors, Composers and Artists at the Ministry of Culture and Islamic Guidance is the main responsible body for copyright matters and the Industrial Property Office at the Organization for Registration of Deeds and Estates of the Judiciary is in charge of industrial property affairs. Further, the Iranian Research Organization for Science and Technology deals with the operationalization of national technology development plans and policies, issuance of scientific certificates and examination of feasibility or industrial applicability of proposed projects and inventions.

C. Membership of international intellectual property conventions and of regional or bilateral agreements

The I. R. Iran acceded to the "Paris Convention" (Lisbon Act of 1958) in 1959 and to its Stockholm Acts of 1967 and 1979 in 1998. Iran also acceded to the "Convention Establishing the World Intellectual Property Organization", the "Madrid Agreement Concerning the International Registration of Marks and the Protocol relating to that Agreement", the "Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods" and the "Lisbon Agreement for the Protection of Appellations of Origin and their International Registration" in 2002, 2003, 2004 and 2005, respectively.

Apart from the above-mentioned multilateral instruments, Iran has signed a couple of bilateral agreements in various fields such as investment and trade and cultural relations through which the IPRs (including industrial property and copyright) of the nationals of the other contracting parties have been recognized in Iran.

D. Application of national and MFN treatment to foreign nationals

There is no provision in Iran's legislation to hinder the extension of national and most-favoured-nation treatment to foreign nationals in respect of acquisition and maintenance of IPRs.

E. Fees and taxes

Fees or charges levied on industrial property fall into four categories as follows. Fees pertaining to trademarks are:

1) fee for trademark application form	300 Rls. per sheet
2) fee for the certificate form of trademark registration	600 Rls. per sheet
3) fee for Iranian trademark application	1,200 Rls.
4) fee for foreign trademark application	100,000 Rls.
5) fee for the registration of an Iranian trademark in one class	28,000 Rls.
6) fee for the registration of a foreign trademark in one class	1,200,000 Rls.
7) fee for the registration of an Iranian trademark in each additional class	5,000 Rls.
8) fee for the registration of a foreign trademark in each additional class	30,000 Rls.
9) fee for the renewal form of trademark registration	1,200 Rls. per copy
10) fee for the renewal of an Iranian trademark registration in one class	28,000 Rls.
11) fee for the renewal of a foreign trademark registration in one class	1,200,000 Rls.
12) fee for the renewal of an Iranian trademark registration in each additional class	5,000 Rls.
13) fee for the renewal of a foreign trademark registration in each additional class	30,000 Rls.
14) fee for the assignment of an Iranian trademark	2,990 Rls.
15) fee for the assignment of a foreign trademark	2,990 Rls.
16) fee for a change of the name of an Iranian or foreign trademark owner	2,990 Rls.
17) fee for changing the legal type of an Iranian or foreign trademark owner	2,990 Rls.
18) fee for changing the address of an Iranian or foreign trademark owner	2,990 Rls.
19) fee for changing an Iranian trademark	28,000 Rls.
20) fee for changing a foreign trademark	1,200,000 Rls.
21) fee for changing an Iranian trademark in each additional class	5,000 Rls.
22) fee for changing a foreign trademark in each additional class	30,000 Rls.
23) fee for the consolidation of the owner of Iranian or foreign trademarks	2,990 Rls.
24) fee for the registration of a license to utilize an Iranian or foreign trademark	2,990 Rls.
25) fee for the notary publics inquiry about a trademark	1,000 Rls.
26)deposit associated with the petition of complaint for Iranians	10,000 Rls.
27) deposit associated with the petition of complaint for foreigners	40,000 Rls.

Fees levied on patents are as follows:

1) fee for patent application form	600 Rls. per sheet
2) fee for the certificate form of patent registration	600 Rls. per sheet

3) fee for Iranian patent application	300 Rls.
4) fee for foreign patent application	35,000 Rls.
5) fee for the registration of an Iranian patent:	
for 5 years	5,000 Rls.
for 10 years	15,000 Rls.
for 15 years	30,000 Rls.
for 20 years	50,000 Rls.
6) fee for the registration of a foreign patent:	
for the first 10 instalments	20,000 Rls. per instalment
for the second 10 instalments	55,000 Rls. per instalment
7) fee for the assignment of an Iranian patent	2,990 Rls.
8) fee for the assignment of a foreign patent	2,990 Rls.
9) fee for transactions and assignments through inheritance for Iranian and foreigners	50,000 Rls.
10) fee for a change of the name of an Iranian or foreign patentee	2,990 Rls.
11) fee for a change of the legal type of an Iranian or foreign patentee	45,000 Rls.
12) fee for a change of the address of an Iranian or foreign patentee	2,990 Rls.
13) fee for a change of patent for Iranian applicants	2,990 Rls.
14) fee for a change of patent for foreign applicants	45,000 Rls.
15) fee for the consolidation of Iranian or foreign patentees	2,990 Rls.
16) fee for the registration of a license to utilize a patent	2,990 Rls.
17) fee for the notary public,s inquiry about a patent	1,000 Rls.
18) deposit associated with the petition of complaint for Iranians	10,000 Rls.
19) deposit associated with the petition of complaint for foreigners	40,000 Rls.

2. Substantive standards of protection, including procedures for the acquisition and maintenance of intellectual property rights

A. Copyright and related rights, including rights of performers, producers of phonograms and broadcasting organizations

In accordance with the Iranian laws, including the “Act on the Protection of the Rights of Authors, Composers and Artists” (1970), the economic and moral rights of the authors of literary, scientific and artistic works, such as written and audio-visual works, artistic works and handicrafts, are protected and the authors enjoy the exclusive right to exploit, reproduce, publish, broadcast, communicate to the public and perform their works (Arts. 2 and 3 of the Act). The exercise of these rights is not contingent on the registration of a work (Article 21).

Under Articles 4 and 5 of the Act, the moral rights of authors have no spatial and temporal limitation and are not transferable, but the authors can transfer all of their economic rights, such as rights of translation, reproduction, recording, publication, broadcasting, communication to the public and performance, to others. According to Article 12, the economic rights of authors which are transferred through inheritance or a testament shall be protected until 30 years after their death; however, in the absence of such a transfer through inheritance or a testament, the Ministry of Culture and Islamic Guidance will hold those rights for public use for the same period. In the case of cinematographic or photographic works as well as the works of legal persons, the term of protection shall expire 30 years after publication or communication to the public. Finally, in accordance with Article 22, literary, scientific and artistic works shall be protected in Iran, provided that they are first printed, published or performed in the country (subject to some exceptions).

As regards computer programs, Article 1 of the "Act on the Protection of Computer Software" (2000) provides that the authors of these programs shall enjoy the rights of publication, communication to the public, execution, and economic and moral exploitation thereof. Compilation and arrangement of data in a digital environment shall be protected as such. The term of protection for economic rights shall be 30 years as of the date of creation, but the moral rights shall be protected for ever.

B. Trademarks, including service marks

In Iran, trademarks have enjoyed a long-standing protection under regulations such as "Trademarks and Patents Registration Act" (1931). In addition, Iran is a party to the "Paris Convention", according to Article 1.2 of which industrial property, including trademarks, can be protected in Iran.

In accordance with Article 1 of the above-mentioned Act, trademarks include any signs, such as drawings, illustrations, numerals, letters, phrases, seals, and wrappers etc., which are used to distinguish an industrial, commercial or agricultural product. However, under Article 5 of the Act, objects such as Iran's flag, official signs and logos , Iran's state decorations and medals and emblems, words or phrases falsely implying a connection with Iran's official authorities, and marks contrary to public order or morality can not be protected as a trademark or an element thereof.

Pursuant to the Note of Article 1 of the Act, except in cases mandated by the Government, it is not compulsory to have a trademark. Article 2 provides that the owner of a trademark shall have the exclusive right to make use of it, subject to the registration thereof. Furthermore, under Article 11, any changes in a trademark or in the kind of products for distinction of which the trademark is used shall be separately registered to be granted protection.

In accordance with Article 14, a registered trademark shall be protected for a period of 10 years as of the filing date of application. However, this term of protection shall be indefinitely renewable, each time for another 10 years, upon the request of the owner.

Articles 20 through 23 and 16.2 of the said Act have referred to the protection of non-registered marks which have a record of continued usage.

Under Article 3 of the Act, Iranian and foreign nationals having a commercial, industrial or agricultural establishment in Iran shall be conferred the protection provided by the Act, subject to the registration of their trademarks in accordance with the provisions of the Act. Further, according to Article 4, proprietors of industrial, commercial or agricultural businesses in other countries shall enjoy the same protection, provided that:

1) their trademark is registered in Iran under the Regulations;
2) Iranian trademarks are protected in the other country through an agreement or its domestic laws.

C. Geographical indications, including appellations of origin

As Iran is a party to the "Paris Convention", subject matters enumerated in its Article 1.2, including geographical indications, can be protected in the country.

As to Iran's domestic legislation, the "Act on the Protection of Geographical Indications" was ratified in 2005 which is fully in compliance with TRIPS Agreement. According to Article 1 of the Act, geographical indication is an indication which identifies a good as originating in the territory, a region or a locality of Iran, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin. Here, good includes any natural and agricultural products, handicrafts or manufactures. Under Article 3.1, a geographical indication

having the above mentioned characteristics, whether registered or not, shall be protected.
Pursuant to Article 5, the following geographical indications shall not be protected:
1. indications contrary to Article l;
2. indications contrary to Islamic precepts, morality or public order;
3. indications which are not or cease to be protected in their country of origin, or which have ceased to be used in that country, in conformity with the agreements to which Iran has acceded.

D. Industrial designs

As Iran is a party to the “Paris Convention”, objects enumerated in its Article 1.2, including industrial designs, can be protected in Iran.
As to Iran’s domestic legislation, there is no distinct Law in this respect for the time being. However, there are provisions in the “Act on the Protection of the Rights of Authors, Composers and Artists” (1970) which extend protection of the Act to industrial designs. For instance, by virtue of Paragraphs 5 and 9 of Article 2 of the Act, the following works shall be protected:
1) original paintings, illustrations, drawings, designs, geographical maps, decorative writings and any decorative or visual works or the combinations thereof, whatever may be the means or method of their production;
2) original works of applied arts and carpet and rug designs.
So, industrial designs can be protected under Iran’s copyright laws.

E. Patents

In Iran, patents have been granted a long-standing protection by virtue of regulations such as “Trademarks and Patents Registration Act” (1931). Further, Iran is a party to the “Paris Convention”, according to Article 1.2 of which industrial property, including patents, can be protected in Iran.
In accordance with Article 26 of the above-mentioned Act, any new discovery or invention in various fields of industry or agriculture shall be patentable. Accordingly, Article 27 stipulates that persons making following claims can apply for the registration thereof:

1) invention of any new industrial product;
2) discovery of any new means or any new application of existing means to achieve an industrial or agricultural product or outcome.

However, the following subject matters have been excluded from patentability by Article 28:
1) fiscal plans;
2) any invention or supplement contrary to public order, morality or public health;
3) pharmaceutical formulae and compounds.
As regards the third item, it is worth mentioning that according to a decision made by the State Supreme Court which is binding as law, pharmaceutical inventions and discoveries are also patentable under Article 27 of the Act.
Pursuant to Articles 29 and 33, patentees shall, subject to the registration of their discovery or invention, enjoy the exclusive rights of making, selling, applying or using their patent. Further, according to Article 43 of the Act and the Third Chapter of its Executive By-Law, any assignment, modification, addition or supplement is also required to be registered. And as provided in Article 29, the person who first applies for the registration of an invention shall be presumed to be the inventor, unless the contrary is proved in competent courts.

In accordance with Article 33 of the Act, a patent shall be given protection for a term of 10, 15 or 20 years, depending upon applicant's choice. And under Article 33 of its Executive By-Law, this term of protection shall be calculated as of the filing date of application.

With respect to foreign nationals, Article 30 of the Act provides that if an inventor has duly obtained outside Iran a patent which is still valid, he/she can also apply in Iran for another patent for the same invention for the remainder of its term of protection. However, in case a natural or legal person has, wholly or partially, utilized, or made preparations to utilize that invention in Iran prior to the application for its registration, the inventor shall not have the right to prevent the activities of the said person. And by virtue of Article 44, foreign nationals who do not have a domicile in Iran and apply for a patent in Iran shall be treated in accordance with the provisions of the relevant agreement in force between Iran and their respective countries or, in the absence of such an agreement, on a reciprocal basis.

F. Plant variety protection

In order to protect plant varieties, a distinct legislation entitled "Act on the Registration of Plant Varieties and the Control and Certification of Seed and Plant" was adopted in 2003. In accordance with the Act, plant varieties which are deemed new, can be registered and protected. Further, by virtue of Article 5 of the Act, cultivated plant varieties are granted protection and the exclusive right of economic exploitation thereof is accorded to their breeders for 18 years at most.

G. Layout designs of integrated circuits

In this regard, the I.R. of Iran is neither a party to an international agreement nor has a distinct law. However, as layout designs of integrated circuits can be regarded as an invention or an original technical work, they may be considered subject to, and thus protected by, Article 26 of the "Trademarks and Patents Registration Act" (1931) concerning patents or Article 2.11 of the "Act on the Protection of the Rights of Authors, Composers and Artists" (1970) as to the original technical works.

H. Requirements on undisclosed information, including trade secrets and test data

Iran is a party to the "Paris Convention" according to Articles 1.2 and 10bis of which Parties are bound to ensure effective protection against unfair competition, including the disclosure of trade secrets.

As regards domestic legislation, although there is no distinct law on the disclosure of undisclosed information, including trade secrets, and related remedies or penalties, there are some provisions in the aforesaid legislation as well as the "Islamic Penal Code" (1996) and the "Civil Liability Code" (1960) with respect to the penalties for some cases of unfair competition. In addition, there are detailed legislation as to the punishment of publication and disclosure of the Government secrets and confidential documents.

I. Any other categories of intellectual property

Iran's legislation, including Articles 16 and 576-582 of the "Commercial Code" (1932), has addressed trade names, registration, registration fee and non-registration fine. Furthermore, in practice, trade names can be registered at the Industrial Property Office and protected as trademarks.

3. Measures to control abuse of intellectual property rights

A. Copyright

The Fourth Chapter of the “Act on the Protection of the Rights of Authors, Composers and Artists” (1970) has addressed the issues of infringement and punishment. It has provided for a punishment of corrective imprisonment for a period from 3 months to 3 years.

In accordance with Article 23 of the Act, if a person publishes, broadcasts or communicates to the public, wholly or partially, another person’s work which is protected by the Act, in his/her own name or in the name of the author without authorization thereof, or in the name of a person he/she knows to be other than the author, he/she shall be condemned to imprisonment for a period from 6 months to 3 years. Further, pursuant to Article 24 of the Act, if a person prints, distributes or publishes another person’s translation in his/her own name, or in the name of a person other than the author without authorization thereof, he/she shall be liable to imprisonment for a period from 3 months to one year. And, by virtue of Article 25 of the Act, the following cases of infringement shall be subject to imprisonment from 3 months to one year:

1. to make use of the name, title and special hallmark of a work for another work of the same or similar kind in a misleading manner;
2. failure to mention or introduce the author’s name, title or special hallmark of a work along with the work or on the original copy or printed or reproduced copies thereof, on the part of transferees, publishers and those authorized, under the law, to use, refer to, or adapt the work for commercial purposes;
3. any alteration, distortion or mutilation of the works protected by the law and the publication thereof without the author’s permission;
4. failure, on the part of printing offices, recording companies, workshops and persons in charge of printing, publishing, distributing, recording or reproducing the works protected by the law, to mention the number of printing, recording, reproducing, distributing and publishing as well as the number of printed copies, serial number of phonograms, date and the name of concerning printing office, company or workshop on all copies to be distributed.

The judicial consideration of infringements shall be terminated by the waiver of the private plaintiff.

Furthermore, according to Article 13 of the "Act on the Protection of Computer Programs" (2000), in case of infringement of the rights protected by the Act, the infringer shall, in addition to payment of the right holder damages, be liable to imprisonment from 91 days to 6 months as well as payment of monetary fines from 10 to 50 million Rials.

Pursuant to Article 19 of the Act, buying and making use of illegal textual programs by governmental entities and their affiliated agencies whose subjection to laws and regulations requires mentioning their names are prohibited.

Under Article 29 of the Regulations, the High Council of Informatics and the Ministry of Culture and Islamic Guidance shall protect copies of programs which are given to them for approval and registration with a view to preventing the access of third parties to their content without the consent of the owners of the economic rights of the programs. In case a complaint is lodged by the owner and infringement is established, the case shall be heard by administrative or disciplinary panels and the appropriate administrative punishments shall be imposed.

B. Industrial property rights

B.1. Trademarks

There are some provisions in the “Islamic Penal Code” (1996) as regards the penalties for illegal uses of the marks of public and private entities. In accordance with Articles 525-530 of the Code, if a person forges seals, stamps or marks of public entities or companies, or uses or imports them while cognizant of the forgery or deceit, they shall, in addition to payment of the damages suffered by the right holder, be subject to imprisonment from 1 to 10 years; if a person forges seals, punches or marks of non-governmental public entities such as municipalities, or uses them while cognizant of the forgery, he/she shall, in addition to payment of the damages caused to the right holder, be condemned to imprisonment from 6 months to 3 years; and if a person forges seals, punches or marks of duly established non-governmental companies, or uses them while cognizant of the forgery, he/she shall, in addition to compensation of the damages sustained by the right holder, be sentenced to imprisonment from 3 months to 2 years

Pursuant to Article 18 of the “Trademarks and Patents Registration Act” (1931), any beneficiary enjoys the right to file a lawsuit in the courts of Tehran and request the cancellation of a registered trademark.

As it is not, by virtue of Article 1 of the Act, binding to register a trademark, persons with a priority right based on the continued prior use of a trademark the registration of which has been applied for by another person can have recourse to the court and restore, subject to the establishment of their continued prior use, their rights with respect to the trademark. If the trademark has not yet been registered, the court shall accord the priority right to the person claiming continued prior use. And if it has already been registered, the court shall order that the former registration is cancelled and the trademark is registered in the name of the person claiming continued prior use.

Furthermore, pursuant to Article 40.12 of the “Customs Affairs Act” (1971), a good which, or the wrapper of which, bears an address, the name of an enterprise, a mark or other characteristic which misleads buyers or consumers as to its producer, place of production or main characteristics or qualities, shall not be importable.

B.2. Patents

According to Article 29 of the "Trademarks and patents Registration Act” (1931), the person who first applies for the registration of an invention shall be presumed to be the inventor, unless the contrary is proved in competent courts. And, in accordance with Article 37 of the Act, in following cases, any beneficiary enjoys the right to have recourse to the court and request the cancellation of a patent:

1. when the relevant invention is not a new invention;
2. when the patent has been issued without due regard to the provisions of Article 28 of the Act with respect to the items excluded from patentability.
3. when the invention is of a purely scientific nature and not capable of industrial or agricultural application;
4. when no practical use has been made of the invention for five years as of the date of issuance of the patent.

4. Enforcement

A. Civil judicial procedures and remedies

Pursuant to Article 46 of the “Trademarks and Patents Registration Act” (1931), civil and criminal actions concerning patents or trademarks shall be considered by the courts of Tehran.

As provided by Article 48 of the By-Law of the Act, the following documents shall be annexed to the petition lodged by the applicant for registration of a trademark or invention, in case his/her application is rejected under Article 7 of the Act:

1. original or certified copy of the decision rejecting the application for registration;
2. applicant’s complaints against the said decision;
3. receipt of the deposit as per Article 47 of the By-Law of the Act with respect to making a deposit to cover the defendant's losses in the event of applicant losing the case.
4. power of attorney, in case the petition has been submitted through an attorney.

According to Article 49 of the By-Law, the court shall fix the date of the hearing and notify the plaintiff as well as the officer in charge of the Branch Office mentioned in Article 6 of the Act to be present on the said date. On the day of hearing, the court shall hear the oral arguments of both parties and pronounce the appropriate verdict. The absence of either party at the hearing shall not hinder the issuance of the verdict, and the verdict against the absent party shall be deemed as pronounced in his presence.

As regards the complaints pertaining to the rights of authors, composers and artists, the plaintiff may bring an action in the competent courts. If so, the court shall set the date of hearing and invite the parties to attend the said session.

B. Provisional measures

In accordance with Article 63 of the By-Law of the “Trademarks and Patents Registration Act” (1931), the owner of a trademark, as well as the owner of a patent, or their legal representative may, upon order of the local court of the place the contested goods are located, make a detailed list of such allegedly counterfeit goods. The execution of the said order shall be effected by customs officials, if the goods are still in the Customs, or else by a bailiff. The attachment of the goods may only be effected if the court expressly so orders.

If the owner of the trademark or patent petitions for the attachment of the said goods, he/she shall give sufficient security for the recovery, if necessary, of all damages suffered by the other party, including his/her loss of prospective profits.

By virtue of Article 64 of the By-Law, the plaintiff may, at any time, petition the judicial authorities for considering the case to issue an injunction to secure the evidence, or to attach the counterfeit goods, or to prohibit the manufacture, sale or importation of those goods. The judicial authorities shall agree to these petitions.

Pursuant to Article 29 of the “Act on the Protection of the Rights of Authors, Composers and Artists” (1970), whilst considering the private plaintiff’s case, the judicial authorities may, as appropriate, order bailiffs to prevent publication, distribution, and communication to the public and seizure of the works in question. Such orders shall be issued based upon the recommendations of relevant experts.

C. Any administrative procedures and remedies

The Ministry of Culture and Islamic Guidance is in charge of affairs concerning the literary, artistic and scientific works. The relevant disputes are considered there on a conciliatory basis. The procedures of the Commission of Dispute Settlement at the Ministry are as follows: after communicating the petition to the defendant and receiving his reply, the parties to the dispute are invited to participate in a session to consider and determine the commitments of each party. If a compromise is reached in the session, consideration of the case comes to an end; otherwise, further sessions will be held with a view to arriving at an agreement between the parties. If these efforts fail, the case would be referred to the court.

As regards computer programs, in accordance with Article 46 of the By-Law of the Act on the Protection of Computer Programs, the Provincial Disciplinary Council shall consider natural and legal persons' petitions concerning professional, disciplinary and order-related offences. In case the offences are criminalized in penal laws, the Council shall refer the cases to the competent courts to consider their criminal aspects.

Under Article 50 of the By-Law, the Provincial Disciplinary Council shall hear all received petitions. In the event that a complaint is deemed irrelevant or beyond the jurisdiction of the Council, the irrelevancy or lack of jurisdiction shall be declared. Otherwise, having heard the defenses, the Council shall decide.

As per Article 51 of the By-Law, the Council may exercise punishments such as oral warning, written reprimand and provisional prohibition of activity. Further, order-related and disciplinary offences and their respective penalties have been enumerated with regard to their conditions, frequency and grades in Article 52.

According to Article 54, decisions of the Disciplinary Council can be appealed within one month from the date of their communication. Pursuant to Article 55, every province shall have an Appellate Council to consider all appeals. All judgments and punishments up to grade no. 4 rendered by the Council shall be final and binding, but punishments of grade no. 5 shall, subject to the request of defendant, be reviewable by the General Disciplinary Council. As provided in Article 56, this Council has 5 members and its decisions shall be valid and binding by 3 positive votes.

D. Any special border measures

As noted before, in accordance with Article 40.12 of the "Customs Affairs Act" (1971), a good which, or the wrapper of which, bears an address, the name of an enterprise, a mark or other characteristic which misleads buyers or consumers as to its producer, place of production or main characteristics or qualities, shall not be importable.

Under Articles 51 and 52 of the Act, the authority responsible to examine disputes arising from enforcement of the customs regulations and general export-import regulations is the Commission for Customs Disputes. In case an appeal is made to the Commission's decision, the decision shall be reviewed by the Revision Commission the ruling of which shall be final and binding.

In other cases, Customs authorities shall, upon the issuance of provisional injunctions by competent courts, take appropriate measures to prevent the importation of the goods in question and to make a list thereof.

E. Criminal procedures

Petitions concerning trademarks and patents shall be heard only by the courts of Tehran. As to criminal cases, if the crime or infringement takes place or is discovered or the accused is arrested outside Tehran, the preliminary investigation shall be carried out in the place of occurrence or discovery of the crime or the arrest of the accused and the records shall be sent to the Court of Tehran for adjudication.

With respect to trademarks and patents, the plaintiff may resort to both civil and criminal procedures. Pursuant to Article 49 of the "Trademarks and Patents Registration Act" (1931), damages claimed in civil or criminal cases concerning patents and trademarks shall include damages inflicted on the right holder as well as his loss of prospective profits.
In case of a serious and evident infringement of copyright, such as piracy, the right holder may also have recourse to criminal procedures. And, in case of invoking both civil and criminal procedures, criminal case must be instituted and adjudicated first.

5. Laws, decrees, regulations and other legal acts relating to the above
Iran's most important legislation as regards intellectual property rights are as follows:
1. The Trademarks and Patents Registration Act of the Iranian year 1310 (1931);
2. The Amended By-Law of the Implementation of the Trademarks and Patents Registration Act (the Iranian year 1337(1958));
3. The Act on the Protection of the Rights of Authors, Composers and Artists (the Iranian year 1348 (1970));
4. The Executive By-Law of the Act on the Protection of the Rights of Authors, Composers and Artists (the Iranian year 1350 (1971));
5. The Act Concerning the Translation and Reproduction of Books, Publications and Phonograms (the Iranian year 1352 (1973));
6. The Act on the Protection of Computer Programs (the Iranian year 1379 (2000));
7. The Executive By-Law of the Act on the Protection of Computer Programs (the Iranian year 1383 (2004));
8. The Islamic Penal Code of the Iranian year 1375 (1996);
9. The Commercial Code of the Iranian year 1311 (1932);
10. The Act on the Registration of Plant Varieties and the Control and Certification of Seed and Plant (the Iranian year 1382 (2003));
11. The Act on the Protection of Geographic Indications (the Iranian year 1383 (2005)).

6. Statistical data on applications for and grants of intellectual property rights, as well as any statistical data on their enforcement
The Statistical Data on applications for and registrations of Iranian and foreign patents and trademarks in recent years have been shown in Table 21.

Table 21. The statistical data on applications for and registrations of Iranian and foreign patents and trademarks

Trademarks			**Patents**				
Total	**Foreign**	**Iranian**	**Total**	**Foreign**	**Iranian**		
8748	1280	7468	1642	355	1287	**Applications**	
6556	1320	5236	943	309	634	**Registrations**	**2003**
18963	1356	17607	2791	356	2426	**Applications**	
8954	1339	7615	1454	226	1228	**Registrations**	**2004**
21784	1245	20439	4494	443	4051	**Applications**	
10301	1046	9255	2890	285	2605	**Registrations**	**2005**
25247	1420	23827	6527	557	5970	**Applications**	
10400	900	9500	4513	439	4074	**Registrations**	**2006**

VI. TRADE-RELATED SERVICES REGIME

1. General

The services sector activities constitute a major part of the GDP of Iran. The value added of services in the Iranian years 1382 (2003-2004) and 1383 (2004-2005) accounted for 48.9% and 48.2% of the GDP respectively at the constant prices of the Iranian year 1376 (1997-1998). The share of each service sector in the GDP is indicated in Table 22.

Table 22: Shares of services sub-sectors in the GDP, at the constant prices of the Iranian year 1376 (1997-1998).

1383 (2004-05)	**1382 (2003-04)**	**Services Sub-Sectors**
11.6	12	Commerce, restaurants and hotels
7.3	7.7	Transportation, storage and warehousing and communication
12.6	13.2	Real estate and professional services
3.6	2.7	Financial and monetary services
2.7	2.8	Social, personal and household services
10.4	10.5	Public services

Apart from exercising sovereignty, policy-making and issuing guidelines with regard to the services sector, the Government also supplies certain services through its affiliated trading enterprises. In recent years, the Government has taken some major steps toward eliminating monopolies in banking, insurance and communication services and has also taken measures to promote privatization in the services sector.

The Third Economic, Social and Cultural Development Plan Act authorizes the Government to transfer the state services companies to the cooperative and private sectors and to conduct the communications, banking and insurance services activities based on supply and demand considerations with a view to promoting competitiveness and efficiency. In addition, some structural measures are underway to create an extensive information and computer network for the capital market, promote foreign investment in the stock exchange market, develop electronic commerce and establish stock markets for agricultural products, core metals, energy and foreign exchange.

2. Policies affecting trade in services

A. Government departments, agencies, professional associations or other bodies with authority or a role relevant to the conduct of services activities

The role of Government in relation to the services sector includes formulating procedural rules and regulations, issuing licenses and supervising services activities with a view to ensuring their compliance with the laws and regulations. In case of guilds, the guild associations are in charge of issuing business licenses in their respective line of activity. The Government is also the major supplier of services such as financial and communications services and has a major part in supplying educational (at different levels) and health services.

The Government has also delegated the authority to approve certain regulations, procedures and executive orders to some ministerial councils or committees. The procedural rules and regulations approved by the Government and its affiliated councils are notified to the Parliament with a view to verifying their consistency with the laws and referring them to the Council of Ministers for revisions in case of any inconsistencies between them.

The ministries affiliated with trade in services are represented by general directorates and other related departments in provinces, which are authorized to issue licenses and supervise services activities.

B. Judicial, arbitral or administrative tribunals or procedures providing for the review of, or remedies in relation to, administrative decisions affecting trade in services

Disputes related to services activities are reviewed by general courts at preliminary and appeal stages, in the same manner as other civil and criminal cases. The proceedings for the review of such disputes are elaborated in part III of the present report. In certain cases, special authorities are designated to consider disputes related to services activities, which are indicated in Table 23.

Table 23. Special authorities reviewing disputes related to services activities, listed in thematic classification.

Subject of review	**Reviewing authority**
Reviewing disciplinary offenses of the members of the Association of Official Accountants	1- Preliminary and Supreme Disciplinary Panels
Reviewing the professional and disciplinary offenses by medical practitioners and other related professionals.	2- Preliminary and Supreme Disciplinary Panels
Researching and examining the legal aspects of informatics, cooperating with the Judiciary and reviewing disputes related to informatics.	3- Legal Commission affiliated with the Secretariat of the Supreme Board of Informatics
Reviewing disputes between state postal and telecommunications companies and the private sector.	4- Review Commission (in the field of post and telecommunications)
Preliminary review of complaints relating to professional and disciplinary offenses of engineers and technicians.	5- Disciplinary Council for the provincial Civil Engineering Organization
Reviewing offenses relating to the monetary and banking law and its affiliated regulations and procedures and the directives of the Central Bank.	6- Disciplinary Panel of Banks
Reviewing disputes between stock brokers and disputes arising from transactions between buyers or sellers and stock brokers.	7- Arbitral Panel of the Stock Market
Reviewing offenses, suspending or revoking licenses of cultural centers, institutes, houses and associations.	8- Reviewing Panel for the Activities of Cultural Centers
Challenging the ranking of road transport companies.	9- Sub-Commission of the

	Supreme Council for Transport Coordination.
Reviewing offences relating to transportation	10- Commission provided by Article 13 of the By-Law on the Activities of Transportation Companies
Reviewing disputes between transport companies and their clients	11- Mutually designated arbitrator or a commission comprising representatives of the Ministry of Road and Transportation, Chamber of Commerce, and the Customs Administration.
Consideration of complaints made against the ranking of hotels and tourism facilities	12- Preliminary and Appellate Commission for the ranking of tourism facilities
Revoking or withholding licenses of certain suppliers of professional services or wholesale and retail services by guild associations.	13- Investigation Committee of the Association of Guild Affairs
Preliminary review of complaints submitted by natural and legal persons with regard to the professional and disciplinary offenses of mining engineers.	14- Central Committee of the Mining Engineering Organization
Reviewing disputes arising between insurance agents and respective insurance companies	15- Review Panel for disputes between agents and insurance companies
Reviewing the professional and disciplinary offenses by medical practitioners and other related professionals	16- Disciplinary Medical Panel

C. Provisions concerning technical standards, licensing and/or registration requirements for the supply of services

Licensing and registration conditions and requirements governing services activities mainly deal with technical specifications and standards and the personal qualifications of applicants. Although, where so provided by the law, coordination is sought with other relevant governmental entities on the issue of licenses, finally the relevant organization exercises the authority to issue and supervise licenses.

Foreign natural or legal persons applying for investment in the services sectors in Iran are required to submit their application to the Organization of Investment and Economic and Technical Assistance, in accordance with the Act on the Promotion and Protection of Foreign Investment. Registration and licensing requirements and responsible authorities for services activities are indicated separately in the related annex.

D. Provisions governing the existence and operation of monopolies or exclusive service suppliers

Principle 43 of the Constitution of the I.R. of Iran provides for the prohibition of monopolies as one of the fundamental principles of the Iranian economy. In accordance with Principle 44 of the Constitution, which aims to preclude any economic loss rendered to the society, the Third Economic, Social and Cultural Development Plan Act provides for the elimination of monopolies in banking and credit institutions, communications, energy supply, civil aviation and sea navigation.

As regards the telecommunications sector, the establishment and maintenance of mother networks, regulation of the frequency space and ensuring the continuing supply of postal and telecommunications services fall within the competence of the state. However, subject to the approval of the Council of Ministers, the nongovernmental sector is authorized to operate in the fields of subsidiary networks of the telecommunications sector, independent and parallel postal and telecommunications networks and also in the following fields:

1. Cellular phone services
2. Paging services
3. Fixed telephone services
4. Data transmission
5. Value-added facsimile services
6. Rural telecommunications network
7. Postal receipt services
8. Postal delivery services

As regards the cellular phone network, the domestic private sector and a foreign company (foreign companies are required to be registered in Iran) have launched a joint project known as “the second operator”.

State telecommunications companies are also authorized to delegate some of their functions concerning maintenance and operation, designing, engineering, installation and opening, testing and delivery of equipment and networks to the domestic private and cooperative sectors.

Civil aviation and air transport services (including navigation, landing and departure) also lie in the hands of the Government (i.e. Civil Aviation Organization). However the Government has been authorized to transfer to the private and cooperative sectors, the shares (up to 49 % of their total shares) of its civil aviation companies namely Asseman Airlines, Payam Airlines, the Iran Oil Company Air Transport, Helicopter Services (SAKHEH) as well as airport services and in the field of maritime transport services, the I. R. Iran Shipping Company and its subsidiaries and the National Oil Transport Company. The state has the exclusive authority over policy-making and planning with regard to oil exploration and extraction, production and refining of oil and its by-products. However the Government may transfer the operation of some of the activities relating to refining and the transportation of oil and oil-related products to domestic natural and legal persons.

Following the Islamic Revolution, the insurance industry became subject to the monopoly of state insurance companies. Upon the approval of the Act on the Establishment of Non-Governmental Insurance Companies in the Iranian year 1380 (2001), non-governmental insurance companies have now gained access to the insurance market in Iran. Thirteen non-governmental insurance companies are

currently operating in Iran, four of which have been established in free zones and nine on the mainland.
However certain monopolies continue to exist. For instance, in accordance with the Statute of the Islamic Republic of Iran Broadcasting (IRIB-Radio and Television), the establishment of transmitters and the broadcasting of radio and television programs around the country remain within the exclusive competence of that organization, due to cultural and security considerations.

E. Provisions relating to safeguard measures

The laws and regulations of Iran have not provided for safeguard measures with regard to trade in services.

F. Provisions relating to international transfers and payments for current transactions of services

1. The transfer of the returns and the principal of the capitals, with respect to investments made under the Act on the Promotion and Protection of Foreign Investment are allowed upon the submission of a formal request to the Organization of Investment and Economic and Technical Assistance and any necessary foreign exchange for this purpose is furnished by the banking system. In case the outflow of capital is to the extent that it would pose foreign exchange constraints, the transfer of capital would be allowed in annual installments of no less than thirty percent upon the approval of the Foreign Investment Board. The repatriation of the returns of capital is also subject to the approval of the Board and the acceptance of the Minister of Finance and Economic Affairs. The exchange rate applied for the transfer of foreign equities into and out of the country is the rate in force at Iranian banks at the date of transfer.
2. Payments relating to the profits and the principal of the financial facilities provided by foreign investors are governed by the Act on the Promotion and Protection of Foreign Investment. Costs relating to patents, technical and engineering assistance, licenses and trade marks, management and similar contacts are also categorized as foreign investment. Foreign currency required for these purposes, may be purchased from the banking system or obtained through the export of services by the economic enterprises hosting such foreign investment. The repatriation of any portions of the foreign capital, which has legally entered the country but has not been utilized, is exempted from legal procedures or requirements relating to foreign currency and import and export regulations.
3. The returns of foreign investments, governed by the Act on the Promotion and Protection of Foreign Investment, may be transferred following the deduction of taxes, duties and legal reserves, and upon the approval of the Foreign Investment Board and the Minister of Finance and Economic Affairs. Foreign currency required for such purposes may be obtained either through the banking system or through the export of services by the economic enterprises hosting such foreign investments.
4. The sale, transfer and payment of foreign currency with regard to the salaries and bonuses of licensed foreign workers, employed by the ministries, governmental institutions, state enterprises, non-governmental public entities and cooperative and private institutions is authorized upon request and recommendation of their employers.
5. Foreign currency allowed to be purchased by each passport-holder traveling to any foreign country by air, land or sea as well as each person accompanying them, is

restricted to $ 2,000 or its equivalent in other currencies or a maximum of 2,000 Euros for any single trip.
6. The sale, transfer and payment of foreign currency for the purposes of research and study abroad is allowed upon the submission of a request by the Ministry of Science, Research and Technology or the Ministry of Health and Medical Education. The sale and transfer of foreign currency for non-government-sponsored Iranian students studying abroad is authorized up to $ 15,000 for tuition fees upon the receipt of an invoice issued by the hosting university, $1,000 per person for monthly living expenses and an additional $500 for each dependent accompanying them.
7. The sale and transfer of foreign currency required for settling reinsurance expenses, refundable premiums and any other expenses, which require payment of foreign currency, is authorized upon the approval of the Central Insurance Organization of Iran.
8. The sale and transfer of foreign currency for the purpose of discharging the rental or subscription fees of information networks is authorized upon the request of the ministries and governmental entities and the approval of the financial manager of the related entity. The sale and transfer of foreign currency for non-governmental applicants is limited to $ 5000 upon the submission of invoice.

G. Provisions relating to capital transactions affecting the supply of services.
Investments made by foreign governments under the Foreign Investment Promotion and Protection Act require the ratification of the Parliament. However investments made by foreign state enterprises are treated as private investment.

H. Provisions governing the procurement by governmental agencies of services.
In principle, no distinction is made between government procurement of goods and services under the Iranian laws and regulations governing public procurement.

I. Provisions concerning any form of aid, grant, domestic subsidy, tax incentive or promotion scheme affecting trade in services
Investments made in underdeveloped areas are exempted from state tax and duties. Moreover, part of the profits of loans granted to private and cooperative sector investors operating in underdeveloped areas are refunded. Other state aid, affecting the supply of services, include: exemption from tax and duties of income earned from export, grant of loans for software exports and partial compensation of damages emanating from software production for export purposes, provision of banking services at minimum costs and charges as well as the establishment of an export credit system in the form of buyer and seller's credit with a view to facilitating the presence of Iranian technical and engineering service companies in the world markets, providing subsidized loans to the private sector investment projects for the establishment and development of higher education centers, granting loans and partial compensation of the expenditures of technical and vocational training centers and institutes, guaranteeing the settlement of the loans of shipping companies with more than 40 percent of governmental stock ownership with a view to furnishing the fleet, a fifty-percent tax exemption for constructors of tourism facilities (except for five star hotels), providing loans at preferential profit rates for constructing tourism facilities and tax exemption of services incidental to fishing, pasture land and forestry.

3. Market access and national treatment

Foreign legal or natural persons intending to supply services in Iran are faced with the following restrictions and conditions with regard to market access and national treatment:

Movement of natural persons

Foreign nationals may stay in Iran upon the issuance of an appropriate visa, provided that their presence is not deemed as a threat to the national security or public order and health. The residence permit, which is subject to renewal each year, is granted by the Ministry of the Interior or by the diplomatic missions of the I.R. Iran in foreign countries. Foreign nationals in possession of residence permits, may, except for elective political or governmental positions such as membership of the Parliament, provincial councils or permanent governmental positions, judicial professions, nongovernmental elective public positions (such as membership in the Chamber of Commerce), positions affiliated with governmental jobs (such as practicing law or operating registration offices, etc), work in any other service activities which is not subject to the state monopoly or state concessions.

The Ministry of Labour and Social Affairs is the competent authority for issuing work permits for foreign nationals. The work permit is issued subject to the condition that no Iranian applicant with similar qualifications and expertise is available and the foreign national has sufficient qualifications for the job. The expertise of such foreign nationals must also be utilized to train Iranian nationals with a view to their ultimate replacement. Prior to the employment of foreign experts, the employer must seek the permission of the Ministry of Labour and Social Affairs. In case of certain services activities whereby special licenses and qualification of service suppliers are warranted, necessary licenses must be obtained from the related organizations.

The visa, residence and work permits for foreign managers and experts working in investment projects falling under the Foreign Investment Promotion and Protection Act is issued upon request by the Organization of Investment and Technical and Economic Assistance. More simplified regulations and special privileges govern the employment and residence of foreign investors in free trade and industrial zones. Foreign nationals working in the free zones also enjoy tax exemption.

Commercial presence of foreign companies

Foreign legal persons wishing to have commercial presence with a view to conducting service activities are required to be registered in Iran. Upon registration in Iran, foreign companies would enjoy the same rights as the domestic legal persons and would be allowed to operate in any service sector not subject to the state monopoly. No discrimination is made between domestic and foreign legal and natural persons with regard to the amount of tax and its manner of payment.

Foreign investment in the service sector is permitted in Iran in accordance with the Foreign Investment Promotion and Protection Act, passed in the Iranian year 1381 (2002). Pursuant to this Act, all requests for foreign investment including admission, entry, utilization and transfer of capital must be submitted to the Organization of Investment and Technical and Economic Assistance. Upon the approval of the Foreign Investment Board (comprising Deputy Ministers of Finance and Economic Affairs and Foreign Affairs, the Vice-President of the Management and Planning Organization, Deputy Governor of the Central Bank and deputies for other related ministries (as the case may be) and subsequent to the ultimate approval of the

Minister of Finance and Economic Affairs, necessary authorizations for such purposes would be issued.

Foreign investment may be admitted if it contributes to any of the following objectives: improving the quality of production and promoting exports, contributing to the economic growth and technological development, increasing job opportunities and facilitating entry into world markets. Foreign investment must also be consistent with economic, security and environmental considerations and standards. Foreign investment must not be based on concession or special privileges leading to the monopoly position of any foreign investor.

The share of goods and services produced through foreign investments falling within the purview of this act must not exceed 25 percent and 35 percent of the total value of services supplied in the domestic market in each service sector and sub-sector receptively at the time of the issue of the license. Foreign investments made with a view to exporting services are exempted from such requirements.

Foreign investments governed by this act may be made in two forms:

1. Foreign direct investments in areas open to the private sector.
2. Foreign investment in all sectors in the form of joint ventures, buy-back, build-operate and transfer (BOT), provided that the returns and the gains of the capital derive from the economic performance of the project rather than the guarantees of the government or state enterprises and banks.

Investments made by foreign governments require the ratification of the Parliament. However investments made by foreign state enterprises are treated as private investments.

Foreign investments governed by this Act shall equally enjoy all the rights, protections and facilities provided to domestic investments. Such investments shall not be subject to expropriation and nationalization unless for public interests and in accordance with due process of law, on a non-discriminatory basis and subject to the payment of appropriate compensation based on the real value of the investment immediately prior to the date of the expropriation.

State guarantees provided to foreign investments, governed by this act include in general: ownership guarantees, guarantees for the transfer of the principal and returns of the investment and proceeds deriving from the use of investment in the form of foreign exchange or in kind (subject to conditions laid out in the license), guarantees for the payment of the expired installments of financial and investment agreements in the event where new laws or government regulations lead to the prohibition or the suspension of the said agreement, and guarantees for the purchase of exclusive goods and services where the related government agency is the exclusive buyer or is supplying the goods and services on a subsidized basis.

Foreign investments may also be made through the establishment of Iranian joint venture companies, governed by the Commercial Code. Such investments will not enjoy the protections and special facilities relating to the transfer of capital and its returns, provided by the Act on the Promotion and Protection of Foreign Investment.

Upon obtaining necessary licenses from the related authorities and the registration of companies, foreign investments are authorized in various services sectors including insurance and banking in free trade and industrial zones. All domestic and foreign legal and natural persons and international organizations may, independently or in partnership with other persons, invest in various services sectors in these free zones.

A. Limitations on the number of service suppliers
No limitations exist on the number of foreign service suppliers apart from those restrictions or conditions imposed in accordance with the guild affairs disciplines in certain professional and commercial service activities.

B. Limitations on the total value of service transactions or assets
There are no major limitations in most of the sectors.

C. Limitations on the total number of service operations or on the total quantity of service outputs
There are no major limitations in most of the sectors.

D. Limitations on the total number of natural persons that may be employed in a particular service sector
There exist restrictions with regard to different services activities, including:
- Publication of journals is authorized only under the responsibility of Iranian natural (or legal) persons.
- Managers of informatics and internet services companies must be nationals of the Islamic Republic of Iran.
- Natural persons or the highest executive authorities of legal persons applying for the establishment of private technical and professional training institutes must be Iranian nationals.
- Iranian citizenship is also required for the founders and managing directors of cultural centers, institutes, houses and associations.
- Establishment of banks by foreign persons is subject to the ratification of the Islamic Consultative Assembly(Parliament).
- Establishment of non-governmental insurance companies in the mainland is permitted for Iranian nationals.
-Natural persons acting as stock exchange agents and representatives of financial and credit agencies must be Iranian nationals.
-Founders of pharmacies must hold Iranian citizenship.
- Registration of airplanes and airline companies is limited to Iranian citizens.
- Registration of vessels is limited to Iranian natural and legal persons.

E. Restrictions on, or requirement of, specific types of legal entity through which a service may be supplied
The establishment of non-governmental banks is authorized only in the form of public stock companies with named shares. Insurance activities may be conducted solely by governmental and private public stock companies, with named shares, which are registered in Iran.

F. Limitations on the participation of foreign capital
In addition to what is referred to in Section 3 above under the heading "Commercial presence of foreign companies", the following restrictions apply with respect to the participation of capital in certain sectors:
- Foreign legal or natural persons may own, as maximum, 49 percent of the stocks of computer and informatics companies.
- Foreign legal and natural persons may own, as maximum, 25 and 40 percent respectively of the shares of non-governmental banks.

- Foreign nationals are allowed to establish or participate in the establishment of insurance companies only in the free zones.
- Foreign companies are allowed to own, as maximum, 49 percent of the stocks of the cell phone services, as the "second operator".
- The maximum number of shares of any company admitted to the stock market allowed to be purchased by all investors who make investments in the related company through any of the following methods, shall not exceed 10 percent of the total stocks of that company:

1. Purchase of company shares upon obtaining the license provided by this bylaw
2. Purchase of global depository receipt of the company shares
3. Purchase or sale of the shares of companies admitted to Tehran stock market supplied at any foreign stock market.

The amount of foreign investment in bonds (any kind of bonds admitted to the stock market) shall not exceed at maximum 10 percent of the total capital invested in Iran by any foreign investor.

G. Measures providing for less than the treatment accorded to national services or service suppliers

Measures providing for a less favorable treatment for foreign services and service suppliers, as compared to the national services or service suppliers, are not prevalent yet exist in certain circumstances, some of which are as follow:

-Under the Act on the Promotion and Protection of Foreign Investment, foreign investors are not allowed to own any land of any size.

-In some of the services sectors the service providers shall be of Iranian nationality (see Annex 2).

-The authorization for the private sector to operate on the mainland in the areas referred to in Section 2.D. above on "Provisions governing the existence and operation of monopolies or exclusive service suppliers", is granted only to Iranian nationals.

-The authorization to establish or to participate in the establishment of insurance companies for the affairs of foreigners is granted in free zones.

-The By-Law on the Establishment of International Transport Companies stipulates that the managing director and the board of directors of such companies must be Iranian nationals.

-The establishment and management of non-governmental banks and insurance companies on the mainland are reserved for the domestic nationals.

4. Most-favored-nation treatment

The Iranian laws and regulations governing trade in services do not derogate from the most-favoured-nation principle. However, in the framework of bilateral agreement with some countries, some concessions have been granted either unilaterally or on a reciprocal basis.

VII. INSTITUTIONAL BASE FOR TRADE AND ECONOMIC RELATIONS WITH THIRD COUNTRIES

1. Bilateral or plurilateral agreements relating to foreign trade in goods and trade in services

In order to promote trade with other countries, the Islamic Republic of Iran has concluded several bilateral trade agreements (Annex 3), and is currently working to further improve its foreign commercial relations too.
The I. R. Iran has so far signed a bilateral preferential agreement with Pakistan,.

2. Economic integration, customs union and free-trade area agreements

The following are the regional economic cooperation frameworks that Iran is a member of:

A. Economic Cooperation Organization (ECO)

The member states of ECO have signed and approved the "ECO Framework Agreement on Trade Cooperation". One important objective of this Agreement has been to sign an ECO Trade Agreement (ECOTA), aiming at liberalizing trade among members through the elimination of tariff and non-tariff barriers to trade. So far five ECO member states (The I. R. Iran, Pakistan, Turkey, Afghanistan, and Tajikistan) have signed ECOTA.

B. The Global System of Trade Preferences among Developing Countries (GSTP)

The I. R. Iran is a member of the Global System of Trade Preferences (GSTP), which is a multilateral arrangement.

C. The Group of Eight Islamic Developing Countries (D-8)

The eight Islamic developing member states of the D-8 aim at concluding a preferential trade agreement. In this regard, the relevant negotiated Preferential Trade Agreement has been signed by the members.

D. The Group of 15

Trade cooperation in this grouping, which comprises 19 developing countries including the I.R. Iran, is being carried out in the framework of the "Permanent Committee on Investment, Trade and Technology".

E. The Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)

The IOR-ARC was established in 1995 in order to facilitate trade and investment, technical and technological cooperation and trade liberalization through implementation of policies on reduction of tariff and non-tariff barriers to trade.

F. The Organization of the Islamic Conference (OIC)

A "Framework Agreement on Preferential Trade system" has so far been signed among 29 of the OIC member states, 17 of which (including the I. R. Iran, Egypt, Turkey, Tunisia, Libya, Jordan, Lebanon, UAE, Pakistan, Malaysia, Bangladesh, Syria, Cameroon, Senegal, Guinea, Morocco and Uganda) have ratified it according to their constitutions. In order to formulate the methods of the elimination of tariff and non-tariff barriers, the Contracting Parties began intensive negotiations, and the relevant Protocol was finalized in 2005. The Protocol will enter into force if ratified by 10 Contracting Parties.

3. Labour markets integration agreements

The I. R. Iran has signed no agreement with other countries regarding the integration of labour markets. However, it shall be noted that the I. R. Iran has signed memorandums of understanding and bilateral agreements on labour issues, which include the following:

Albania (MoU)
China (MoU)
Tunisia (MoU)
Zimbabwe (MoU)
Morocco (MoU)
Kuwait (MoU)
Cuba (MoU)
The U.A.E. (MoU)
Syria (MoU)
Belgium (MoU)
Bahrain (MoU)
Russia (MoU)
Tajikistan (MoU)
Yemen (2 MoUs)
France (Understanding)
Libya (2 MoUs on cooperation regarding labour and technical and professional training)
Ukraine (Cooperation Agreement on technical and professional training)
Germany (Cooperation Contract)
Qatar (Cooperation Contract)
South Korea (Cooperation Contract)
Azerbaijan (Economic Contract)
Bosnia and Herzegovina (Economic Understanding)
Japan (Minutes of Meeting)
Oman (Minutes of Meeting)
Australia (Consular Agreement)

4. Multilateral economic cooperation, membership in the multilateral economic organizations, trade-related programmes of other multilateral organizations

The I. R. Iran is a member of several international economic organizations, including the following:

United Nations Conference on Trade and Development (UNCTAD)
International Development Association (IDA)
International Bank for Reconstruction and Development (IBRD)
International Monetary Fund (IMF)
International Finance Corporation (IFC)
International Fund for Agricultural Development (IFAD)
International Labour Organization (ILO)
Food and Agriculture Organization (FAO)
United Nations Industrial Development Organization (UNIDO)
International Atomic Energy Agency (IAEA)
International Civil Aviation Organization (ICAO)

Universal Postal Union (UPU)
International Telecommunications Union (ITU)
World Meteorological Organization (WMO)
International Maritime Organization (IMO)
World Health Organization (WHO)
World Intellectual Property Organization (WIPO)

ANNEX 1
Statistics and publications

1. Foreign trade statistics for good and services: responsible agencies

The main agency in charge of preparing statistics on foreign trade of goods and services is the Customs Administration of the I.R. Iran. In addition the Central Bank periodicals also include information as to trade balance and foreign trade statistics. The Statistical Center of Iran provides some foreign trade statistics in terms of the International Standard Industrial Classification of Economic Activities (ISIC) and of goods and services (CPC).

2. Publications related to statistics

The major publications providing statistics, as categorized according to the publishing authority are listed below:

The Statistical Center of Iran:

1. The statistical Year Book (also available in English);
2. Iran Statistical Digest (also available in English);
3. The Statistical Pocketbook of Iran (also available in English).

The Central Bank of the I.R. Iran:

1. The Economic Report and Balance Sheet (also available in English);
2. Annual Review (also available in English);
3. The Central Bank Bulletin (also available in English);
4. Economic Trends (also available in English);
5. Selected Economic Statistics (only available in Farsi).

The Customs Administration of the I.R. Iran:

1. The Year Book of Foreign Trade Statistics (only available in Farsi).

3. Statistical data
(a) Main economic indicators
(i) GNP

Table 1. Gross National Product (The Iranian years 1378-1383 (1999-2004)

	At current prices		At constant prices of the Iranian year 1376 (1997-1998)	
Year	**Value(billion Rls)**	**Growth rate(%)**	**Value(billion Rls)**	**Growth rate(%)**
1378(1999)	434385	33.8	304941	3.7
1379(2000)	576493	32.7	320069	5
1380(2001)	664620	15.3	330565	3.3
1381(2002)	917035	38	355554	7.6
1382(2003)	1095303	19.4	379838	6.8
1383(2004)	1384819	26.4	398234	4.8

(ii) GNP per capita

Table 2. Per Capita Gross National Product (The Iranian years 1378-1383 (1999-2004)(Rials)

1383 (2004)	**1382 (2003)**	**1381 (2002)**	**1380 (2001)**	**1379 (2000)**	**1378 (1999)**	**Year**	
20455244	16421334	13894470	10240678	9021800	6916959	**At current prices**	**GNP per capita**
5882348	5694723	5387182	5093451	5008904	4855748	**At constant prices of the Iranian year 1376 (1997-1998)**	

(iii) Budget

Table 3. The status of Government budget (The Iranian years 1378-83 (1999- 2004)) (billion Rls)*

Operating balance	Expenses (current)	Revenues	Year
-19764.5	67736	47971.5	**1378(1999)**
-37759.3	82605.8	44846.6	**1379(2000)**
-47772.1	100918.2	53146.1	**1380(2001)**
-85598.4	147572.3	61973.9	**1381(2002)**
-99418.6	178255.2	78836.6	**1382(2003)**
-128335.8	231923.1	103587.3	**1383(2004)**

* Excluding special revenues and expenditures and the figure for transparency in price of energy bearers.

(iv) Production and consumption of the basic goods

Table 4. Production of major farming crops (The Iranian years 1378-1383 (1999-2004)) (thousand tons)

year						Product
1383 (2004)	**1382 (2003)**	**1381 (2002)**	**1380 (2001)**	**1379 (2000)**	**1378 (1999)**	
14568	13440	12450	9459	8088	8673	**Wheat**
2940	2908	3085	2423	1686	1999	**Barley**
2543	2931	2888	1990	1971	2348	**Rice (Paddy)**
1926	1653	1439	1064	1120	-	**Maize (seed)**
420	352	345	412	497	441	**Cotton**
4916	5933	6098	4649	4332	5548	**Sugar beet**
5911	5196	3712	3195	2367	2236	**Sugar cane**
134	212	213	228	223	275	**Tea (green)**
402	393	339	248	247	271	**Oil seeds**
13	22	27	20	21	22	**Tobacco**
665	671	670	558	562	471	**Pulses**
4453	4211	3756	3486	3658	3433	**Potato**
1627	1574	1529	1419	1344	1677	**Onion**
185	235	249	112	304	131	**Pistachio**

Table 5. Livestock products (The Iranian years 1378-1383 (1999- 2004)) (thousand tons)

year						Product
1383(2004)	**1382(2003)**	**1381(2002)**	**1380(2001)**	**1379(2000)**	**1378(1999)**	
785	752	742	743	729	721	**Red meat**
6720	6316	5877	5748	5623	5564	**Milk**
1152	1104	942	885	803	725	**Poultry**
655	629	547	581	580	570	**Egg**

Table 6. Production of selected industrial goods

1382 (2003)	**1381 (2002)**	**1380 (2001)**	**1379 (2000)**	**1378 (1999)**	**Description**	
					Unit	**Product**
26390	15454	18180	17412	12699	**Ton**	**Preserved fish (tuna & sardine)**
1264915	968505	801395	705006	671346	**Ton**	**Pasteurized milk**
1179139	1149591	852353	1060442	950555	**Ton**	**Vegetable oil**
1495	1275	1113	938	923	**Ton**	**Sugar**
4976	4816	4818	4707	4418	**Thousand tons**	**Non-alcoholic carbonated drink (except buttermilk)**
112	98	60	52	000	**Million bottles**	**Barley decoction**
13873	13580	13359	13811	20143	**Million each**	**Cigarette**
293188	286192	388790	283118	227599	**Ton**	**Thread**
396	364	551	373	385	**Million meters**	**Finished fabric**
41195	61455	51875	49259	33933	**Thousand square meters**	**Machine woven carpet**
81286	55478	43014	41267	41676	**Thousand square meters**	**Unwoven textile floor covering**
11918	8384	8166	6822	5696	**Thousand each**	**Blanket**
390210	326617	315502	358143	359037	**Ton**	**Paper**
360017	305579	306249	341239	321232	**Ton**	**Detergent**
60607	48613	75918	65306	74984	**Ton**	**Soap**
1654	1603	2351	2309	2665	**Million boxes**	**Matches**
28241	23670	24755	23277	22219	**Thousand ton**	**Cement**
103867	74931	76827	67266	64105	**Thousand square meters**	**Tiles and ceramic**
490	551	346	345	342	**Each**	**Combine**
15377	14284	12208	8433	5173	**Each**	**Tractor**
1505	834	612	457	532	**Each**	**Road construction machinery**
447063	259726	212664	189402	182504	**Each**	**Washing machine**
13624	31719	24559	22900	21198	**Thousand each**	**Electric sockets and switches**
399692	274852	129256	138816	114399	**Each**	**Radio sets and record players**
858190	894076	807964	849699	860403	**Each**	**Color TV sets**
832420	858685	933741	732245	599701	**Each**	**Water counter**
1189912	989968	906671	836597	842063	**Each**	**Electricity counters**
663164	465321	332643	253160	194366	**Each**	**Motor cars**
1075	236	328	265	353	**Each**	**Ambulances**
12779	1519	4303	3733	3938	**Each**	**Trucks and lorries**
4460	3619	1643	1872	3783	**Each**	**Buses**
537	1203	3226	2406	940	**Each**	**Mini buses**
69036	51201	46639	34397	38508	**Each**	**Vans and Mini vans**

(v) Annual changes in prices

Table 7. Average consumer indices in urban and rural areas (the Iranian years 1378-1383 (1999- 2004)) (the Iranian year 1376=100)

Rural areas	Urban areas	Year
216.4	141.8	**1378 (1999)**
249.7	159.7	**1379 (2000)**
277.8	177.9	**1380 (2001)**
323.3	206	**1381 (2002)**
381.7	238.2	**1382 (2003)**
440.9	274.5	**1383(2004)**

(vi) Employment in different sectors

Table 8. Statistics regarding active population in the economic sectors (the Iranian years 1378-1382 (1999- 2003))

1382(2003)	1381(2002)	1380(2001)	1379(2000)	1378(1999)	Year
4009155	3862872	3705225	3656996	3724035	**Agriculture**
136803	144130	138320	132419	134269	**Oil and gas**
72927	33950	41974	42729	41986	**Mining**
2946649	2933318	2919974	3117820	2979085	**Manufacturing**
63510	63101	63126	60326	64056	**Water**
77026	72178	67676	73830	82483	**Electricity**
2319293	2150488	1877841	1653097	1542206	**Construction**
2820927	2724307	2612928	2486607	2458918	**Trade, restaurant and hotel**
1439466	1287835	1228952	1150389	1090061	**Transportation, warehousing**
101935	101861	101732	93315	86642	**Telecommunications**
366352	362769	259236	336958	311444	**Financial and monetary institutions services**
75851	66121	56471	44364	44842	**Real estate services**
3934317	3789019	3705616	2383544	3445101	**Public. Social, personal and household services**
2985	4214	5948	1896	515	**Non-classifiable**
18287178	17596223	16884018	16444490	16005643	**Total**

(vii) Levels of employment

Table 9. The rates of employment and unemployment (the Iranian years 1378-1383 (1999-2004)) (percent)

Rate of unemployment	Rate of active population	Year
13.5	-	**1378 (1999)**
14.3	37.2	**1379 (2000)**
14.2	37.2	**1380 (2001)**
12.8	37.2	**1381 (2002)**
11.8	38.1	**1382 (2003)**
10.4	38.2	**1383 Ordibehesht(May 2004)**
10.3	38.6	**1383 Aban(November 2004)**

(viii) Balance of payments

Table 10. Current account balance (the Iranian years 1378-1383 (1999-2004)) (million USD)

Services balance	**Trade balance**	**Current account balance**	**Year**
-1533	7597	6589	**1378(1999)**
-1485	13375	12500	**1379(2000)**
-495	5775	5985	**1380(2001)**
-3503	6201	3585	**1381(2002)**
-4535	4430	916	**1382(2003)**
-5011	5653	1442	**1383(2004)**

Table 11. Capital account balance (the Iranian years 1378-1383 (1999-2004))

1383 (2004)	**1382 (2003)**	**1381 (2002)**	**1380 (2001)**	**1379 (2000)**	**1378 (1999)**	**Year**
7388	4476	2534	1150	-4573	-5894	**Capital account (net)**

(ix) Foreign exchange

Table 12. Exchange rate (sales average) (the Iranian years 1378-1384 (1999-2005))

1384 (2005)	**1383 (2004)**	**1382 (2003)**	**1381 (2002)**	**1380 (2001)**	**1379 (2000)**	**1378 (1999)**	**Year**
9042	8747	8323	8019	8008	8188	8658	**Exchange rate (Rial/Dollar)**

(b) Foreign trade statistics

(i) Foreign trade (aggregates at the two-digit HS level)

Table 13. Exports of goods and services (the Iranian years 1378-1383 (1999-2004)) (million USD)

1383 (2004)	**1382 (2003)**	**1381 (2002)**	**1380 (2001)**	**1379 (2000)**	**1378 (1999)**	**Year**
43852	33991	28237	23904	28461	21030	**Exports of goods**
36315	27355	22966	19339	24280	17089	**Exports of Oil, gas and oil products**
7537	6636	5271	4565	4181	3941	**Exports of other goods**
38199	29561	22036	18129	15086	13433	**Imports of goods**
6905	6249	5025	3488	2012	1396	**Exports of services**
11916	10784	8528	3983	3497	2929	**Imports of services**

ii) Export statistics

Table 14. Exports of goods, aggregates at the two-digit HS level (the Iranian years 1378-1382 (1999-2003))

1382(2003)		1381(2002)		1380(2001)		1379(2000)		1378(1999)		HS Section
Share (%)	Value(Rls.)	Share (%)	Value(Rls.)	Share (%)	Value(Rls.)	Share (%)	Value(Rls.)	Share (%)	Value(Rls.)	
2.36	140730207	1.93	88818925	1.57	66527039	2.06	77553500	2.12	71375793	**Sec.1 live animals…**
18.9	1126598883	19.19	884449513	18.05	762421958	15.72	591549995	17.8	598559089	**Sec. 2 vegetable products**
0.84	50293868	1.21	55533646	1.09	46013703	0.54	20147045	0.15	5117489	**Sec. 3 Animal or vegetable fats…**
4.4	260714790	2.72	125439809	3.43	14477177	4.87	183340515	5.19	198990045	**Sec. 4 Prepared foodstuffs…**
16.16	965022964	13.72	632457024	18.14	766123364	14.84	558286879	19.98	671709181	**Sec. 5 Mineral products**
10.5	628549046	11.6	534051957	10.27	433843924	9.4	353353826	6.31	212166422	**Sec. 6 Chemical products…**
3.63	216529382	4.45	204940268	3.81	160960788	4.03	151674098	3.32	111647638	**Sec. 7 Plastics…**
1.65	98301169	2.01	92564083	2.12	89433739	2.18	81988550	1.69	56784501	**Sec. 8 Raw hides and skins…**
0.2	12232617	0.3	13379573	0.23	9571774	0.17	6420988	0.18	5935413	**Sec. 9 Wood…**
0.61	36478374	0.46	21397422	0.25	10669207	0.19	7168976	0.13	4489676	**Sec. 10 Pulp of wood…**
18.31	1093227198	20.16	92888017	20.7	873536350	24.25	912524974	25.5	856838005	**Sec. 11 Textiles…**
1.6	96449430	1.6	72354472	2.3	96172269	1.8	67479088	1.3	43220310	**Sec. 12 Footwear…**
3	177730704	2.34	107843010	2.6	109864173	2.04	76802912	1.6	53515100	**Sec. 13 Articles of stone…**
0.48	28724588	0.02	1120092	0.04	1551458	0.07	2679667	0.19	6287488	**Sec. 14 Natural or cultured pearl…**
9.44	563662409	12.44	573208513	9.76	412311124	11.93	448773520	10.33	347372417	**Sec. 15 Base metals…**
3.9	232768487	3.06	141023147	2.27	95918863	1.97	74067308	1.05	35387608	**Sec. 16 Machinery…**
2.7	160808306	1.54	70787594	2.07	87323566	2.01	75765110	1.6	53770238	**Sec. 17 Vehicles…**
0.17	9919790	0.11	5265454	0.08	3574956	0.07	2799407	0.13	4461098	**Sec. 18 Optical instruments…**
0.65	38838956	0.7	31500111	0.8	33874897	0.84	31463023	0.59	19685014	**Sec. 20 Miscellaneous…**
0.00	188818	0.01	377958	0.00	193317	0.01	438309	0.003	111034	**Sec. 21 Works of art…**

(iii) Import statistics

Table 15. Imports of goods, aggregates at the two-digit HS level (the Iranian years 1378-1382 (1999-2003))

1382(2003)		1381(2002)		1380(2001)		1379(2000)		1378(1999)		HS Section
Share (%)	Value(Rls.)	Share (%)	Value(Rls.)	Share (%)	Value(Rls.)	Share (%)	Value(Rls.)	Share (%)	Value(Rls.)	
0.71	189034910	5.21	116083526	0.6	105182736	0.18	116750154	1	125309889	**Sec.1 Live animals…**
4.2	118747694	5.22	1162474823	9.6	1689815160	11.3	1620432119	11.86	1500682199	**Sec. 2 vegetable products**
2.54	677399454	2.2	491011327	2.24	394820033	2.9	420072256	4.13	522354625	**Sec. 3 Animal or vegetable fats…**
2.3	613104460	2.56	569617355	2.61	460303453	2.8	406545763	3.6	452476352	**Sec. 4 Prepared foodstuffs…**
5.8	1545455386	5.4	1201707745	3.9	695056214	3.4	483858201	2.6	339940506	**Sec. 5 Mineral products**
9.58	2547046669	9.24	2058335237	10.6	1875001932	11.7	1680345370	12.7	1608810375	**Sec. 6 Chemical products…**
4.94	1313712815	3.86	861096955	4.67	823938601	4.8	695990160	4.28	542100248	**Sec. 7 Plastics…**
0.08	22160935	0.01	3372596	0	952568	0	739835	0	790788	**Sec. 8 Raw hides and skins…**
0.91	242408129	0.35	78158032	0.32	56860770	0.33	47001339	0.28	35846093	**Sec. 9 Wood…**
2.02	538625433	1.98	440546358	2.42	431568444	3.49	500801094	0.25	331276285	**Sec. 10 Pulp of wood…**
2.33	619565499	2.07	461854247	2.8	495077609	3.46	496466019	3.8	484096360	**Sec. 11 Textiles…**
0.03	9158437	0	1493161	0	1089383	0	301387	0	192136	**Sec. 12 Footwear…**
0.86	229752084	0.76	169504773	0.83	145847800	0.77	111015068	0.9	119343272	**Sec. 13 Articles of stone…**
0.03	8476810	6.68	1485876722	0.02	3589682	0.02	3219499	0.5	63248757	**Sec. 14 Natural or cultured pearl…**
15.33	4076626512	9.98	2223812727	13.4	2360879239	15.19	217965663	11.3	1450059134	**Sec. 15 Base metals…**
32.13	8546855096	29.5	6574227250	32.67	5758473478	27.67	3971137315	30.8	3904721712	**Sec. 16 Machinery…**
12.71	3381779585	16.08	3583629058	9.8	172607755	8.11	1164083762	6.9	878766324	**Sec. 17 Vehicles…**
2.65	704880958	2.85	635578802	2.93	516221298	2.63	378659147	2.22	281047306	**Sec. 18 Optical instruments…**
0.31	82187538	0.21	47000397	0.2	36580595	0.16	23457462	0.14	18605187	**Sec. 20 Miscellaneous…**
0.02	6087652	0	5450	0	0	0	3063	0	1388	**Sec. 21 Works of art…**

(iv) Imports from main suppliers, preferably at a tariff line level

Table 16. Value of imports by groups of countries (the Iranian years 1378-1382 (1999-2003)) (million USD)

Share (%)	**year**						**Groups of Countries**
1383 (2004)	**1383 (2004)**	**1382 (2003)**	**1381 (2002)**	**1380 (2001)**	**1379 (2000)**	**1378 (1999)**	
41.4	14649	10837	9097	6558	5321	5147	**European union (EU)**
26.2	9283	7863	6829	6500	4742	4138	**Economic and Social Commission for Asia and the Pacific (ESCAP)**
4.3	1518	1159	838	716	727	457	**Economic Cooperation Organization (ECO)**
19	6736	4181	2647	1990	1076	964	**Organization of Petroleum Exporting Countries (OPEC)**
3.9	1380	1306	855	676	356	287	**Asian Clearing Union (ACU)**

(v) Trade by geographic areas (main trade partners)

Table 17. Value of imports by countries (major trading partners in the Iranian year 1383 (2004)) (the Iranian years 1378-1382 (1999-2003)) (million USD)

Share(%)	year						Country
1383 (2004)	1383 (2004)	1382 (2003)	1381 (2002)	1380 (2001)	1379 (2000)	1378 (1999)	
17.2	6093	8586	2152	1633	1154	769	**United Arab Emirates**
12.7	4481	3042	3777	1807	1504	1382	**Germany**
7.3	2585	2262	1318	1109	617	685	**France**
6.9	2432	1677	1389	996	856	901	**Italy**
5.8	2062	1541	1046	887	565	613	**China**
5.3	1871	1315	894	958	737	708	**South Korea**
4.1	1441	866	1989	435	327	336	**Switzerland**
3.5	1221	883	717	561	254	199	**India**
3	1046	674	350	377	310	120	**Sweden**
2.9	1030	888	769	666	510	439	**Great Britain**
2.7	951	997	714	787	684	590	**Japan**
2.5	868	1098	874	914	920	532	**Russia**
2.1	729	833	843	896	538	681	**Brazil**
2	724	517	396	440	426	597	**Belgium**
2	724	518	369	291	233	228	**Turkey**
1.8	648	345	252	239	277	304	**Austria**
1.7	600	443	321	159	155	100	**Singapore**
1.5	531	420	308	346	270	213	**The Netherlands**
1	354	231	123	108	228	214	**Thailand**
1	353	340	300	308	343	341	**Spain**
0.9	320	333	195	111	110	87	**Ukraine**
0.9	301	252	179	291	132	111	**Taiwan**
0.8	299	270	195	189	122	100	**Malaysia**
0.8	273	345	335	222	75	47	**Saudi Arabia**
0.7	230	285	262	270	345	132	**Kazakhstan**
9.1	3221	2686	2208	2628	2656	2254	**Other**
100	35389	26598	22275	17626	14347	12683	**Total**

Table 18. Value of exports by countries (major trading partners in the Iranian year 1383 (2004)) (excluding oil, gas, electricity and oil products) (the Iranian years 1378-1382 (1999-2003)) (million USD)

Share (%)	**year**						**Country**
1383 (2004)	**1383 (2004)**	**1382 (2003)**	**1381 (2002)**	**1380 (2001)**	**1379 (2000)**	**1378 (1999)**	
17.9	1226.1	916.2	753.8	641.1	444.3	598.8	**United Arab Emirates**
10.5	718.7	588.5	217.7	145.2	101.6	98.5	**Iraq**
6.9	473	296.2	189.2	187	152.5	128.6	**India**
5	342.8	360.3	236.6	238.7	126.7	57.2	**Japan**
4.8	326.1	347.3	288.9	312.5	354.3	424	**Germany**
4.5	309	169.8	156.6	191.5	191.4	180.1	**Italy**
3.9	266.2	231.6	198.3	177	170	77.3	**China**
3.7	256.2	307.4	250.1	313.6	248.8	119.2	**Azerbaijan**
3.5	236.6	128.1	93.4	67.6	88.3	54.9	**Saudi Arabia**
3.2	222	259.9	150.1	51.9	41.2	11.8	**Afghanistan**
2.6	178.5	125.5	135	106	74.3	54.2	**Kuwait**
2.3	159.7	100.9	99	78	52.7	56.2	**Spain**
2.2	149.2	100.6	61.7	52.5	50.1	37	**Armenia**
2.1	144.1	94.7	73.2	58.9	68.5	62	**Russia**
2	139.4	28.8	27.2	28	44.5	-	**Belgium**
1.9	132.4	138	141.9	87	64.6	50.1	**Pakistan**
1.9	132.4	46.1	20	49.7	73.5	-	**South Korea**
1.9	127.8	110.6	102.7	58.2	165.5	183.6	**Turkey**
1.7	115.7	70.8	62.9	52.5	38.5	27.1	**Syria**
1.6	111.3	71.5	64	72.8	49.2	21.3	**Hong Kong**
1.5	100.5	137.9	132.2	107.5	98.7	5.1	**The USA**
1.4	96.7	75.2	60.6	53.2	52.4	97.2	**Taiwan**
1.4	94.3	135.6	88.4	75.5	87.2	122.3	**Turkmenistan**
1.3	87	68.1	58	42.2	11.4	12.3	**Indonesia**
1.1	72.1	77.5	61	39.1	32.7	22	**Tajikistan**
9.2	629.8	985	885.9	936.8	879.8	861.2	**Other**
100	6847.3	5972.2	4608.4	4224	3762.7	3362	**total**

ANNEX 2

The list of major laws and legal acts affecting trade in goods and services

-The Constitution of the Islamic Republic of Iran;
-The Twenty-Year Vision of the I.R. Iran;
-The Civil Code;
-The Commercial Code of the Iranian year 1311 (1922) and its Amendments of 1374 (2005);
-The 1990 Labour Act (the Iranian year1369);
-The Export-Import Regulations Act of the Iranian year 1372 (1993) and its Executive Ordinance of the Iranian year 1373 (2004) together with its subsequent amendments;
-The Act on the Administration of Free Trade-Industrial Zones of the I. R. Iran of the Iranian year 1372 (1993) and its Revising Act of the Iranian year 1377 (1999);
-The Third Economic, Social and Cultural Development Plan Act of the Iranian year1379 (2000);
- The Fourth Economic, Social and Cultural Development Plan Act of the Iranian year1383 (2004);
-The Act on the Revision of the Third Economic, Social and Cultural Development Plan Act and on the Imposition and Collection of Duties and Other Fees from Producers of Goods and Providers of Iranian Goods and Services (better known as the Act on Consolidation of Duties) of the Iranian year 1381 (2002);
-Annual State Budgetary Acts;
-The 1991 Act on the Cooperatives Sector of the Economy of the Islamic Republic of Iran (the Iranian year 1370);
-The 1921 Act on the Registration of Corporations (the Iranian year1310);
-The Trademarks and Patents Registration Act of the Iranian year 1310 (1931);
-The 1958 Amending By-Law of the Trademarks and Patents Registration Act (the Iranian year 1337)
-The Act on the Protection of the Rights of Authors, Composers and Artists of the Iranian year 1950 (1971), and its executive By-Law;
-The 1973 Act on the Translation and Reproduction of Books, Publications and Phonograms (the Iranian year 1352);
-The 2000 Act on the Protection of Rights of Creators of Computer Software (the Iranian year 1379);
-The 2004 Act on the Protection of Geographical Indications (the Iranian year 1383);
-The 2003 Act on the Registration of Plant Varieties and Control and Certification of Seed and Plant (the Iranian year1382);
-The 2003 Electronic Commerce Act (the Iranian year 1382);
-The 2001 Act on the Promotion and Protection of Foreign Investment (the Iranian year 1380);
-The 1992 Act on the Revision of the Laws and Regulations of the Institute of Standards and Industrial Research of Iran (the Iranian year 1371);
-The 1990 Act on the Islamic Republic of Iran Chamber of Commerce, Industries and Mines (the Iranian year 1369)
-The 1987 Act on the State Public Auditing (the Iranian year 1366);
-The Direct Taxation Act of the Iranian year 1366 (1987) and its subsequent amendments;
-The 1995 Act on Transportation and Transit of Foreign Goods through the Territory of the Islamic Republic of Iran (the Iranian year 1374);
-The 1967 Act on Plant Protection (the Iranian year 1346);
-The 1972 State Monetary and Banking Act (the Iranian year 1351);

-The 1983 Act on Usury-Free Banking Operations (the Iranian year 1362);
-The 2005 Act on the Stock Market of the I.R. of Iran (the Iranian year 1384);
-The 1979 Legislative Bill on Nationalization of Insurance and Credit Institutes (the Iranian year 1358);
-The 1988 Act on Administration of the Affairs of Insurance Companies (the Iranian year 1367);
-The 1999 Act on the Revision of the Act on Administration of Free Trade-Industrial Zones of the Islamic Republic of Iran (the Iranian year 1378) (regarding the establishment of insurance institutes in free zones);
-The 2000 Regulations on Establishment and Operation of Insurance Institutes in the Free Trade-Industrial Zones of the Islamic Republic of Iran (the Iranian year 1379) (approved by the Council of Ministers);
-The 2001 Act on the Establishment of Non-Government Insurance Institutes (the Iranian year 1380);
-The Act on Customs Affairs of the Iranian year 1350 (1971) and its Executive By-Law of 1351 (1972);
-The 2003 Act on the Unification of Formalities of Importation and Exportation of Goods and Services (the Iranian year 1382);
-The 1997 Act on the International Commercial Arbitration (the Iranian year 1376);
-The 2001 Act on the Articles of Association of the Arbitration Center of Iran Chamber of Commerce, Industries and Mines (the Iranian year 1380);
-The 2001 Act on the Accession of the Government of the Islamic Republic of Iran to the Convention on Recognition and Enforcement of Arbitral Awards (the Iranian year 1380).

ANNEX 3
Information on import licensing procedures

The following is designed to elicit information on import licensing and similar administrative procedures maintained or applied by the Applicant. If different procedures or methods of licensing or similar administrative procedures are applied to different categories of products, to different countries of supply or to different modes of importation, they should be separately described in respect of each question as relevant.

(i) Outline of systems

1. Give a brief description of each licensing system as a whole and, with respect to each, reply to the following questions as relevant, placing all of the material with respect to a given system in sequence together, and using cross references as appropriate when elements which have already been described are also present in another system.

On the whole, in the I.R. Iran the importation of goods regardless of its currency sources is subject to import registration at the Ministry of Commerce, which can be considered a kind of import licensing.

Depending on the methods of the provision of foreign currency, the commercial importation of goods is carried out through one of the following methods:

1. Importation through letters of credit:

In this method, the payment is made effective through banking system, using the foreign currency quotas of government agencies or foreign currencies earned through exportation of other goods through banking system. The importer shall open a letter of credit in one of the banks as well as register the importation at the Ministry of Commerce.

2. Imports against exports:

In this method, the importers who hold a certificate of exportation issued in their own name (as an evidence of exports) do not need to go through the process of issuance of a letter of credit after import registration at the Ministry of Commerce. The importer shall therefore only need to proceed to clear the goods from the Customs against presenting the certificate(s) of exportation with value(s) equivalent to the value of imported goods.

3. Imports of goods against exports to Central Asia, Caucasus, Belarus, and African countries:

In this method, the importers may use the certificate of exportation issued in their or some other people's name, and they do not have to request the issuance of a letter of credit at the banking system.

4. Imports without transfer of foreign currencies (foreign currency transfer):

In this method, which is limited to the importation of raw materials and production line machinery, as well as some products listed below, the importers may without having to refer to the banking system and after import registration at the Ministry of Commerce proceed with importation, using the foreign currency sources available to them. Goods permitted to be imported in this method include: auto spare parts; cigarettes; mobile phone sets, household refrigerators and freezers; absorption type air conditioners; fabric; computer parts; household audio and video appliances; electric vacuum cleaners; fruit juice makers; electric generators; bananas.

In exceptional cases for the non-commercial importation of vehicles for personal use purposes, the applicant for importation shall in addition to applying for import

licenses and import registration at the Ministry of Commerce, transfer the price of the vehicle to the seller through the banking system.
5. Imports through frontier markets (against exports carried out in the limits of the relevant annual foreign currency quotas):
In this case also, there is no need to refer to the banking system after applying for import licenses and import registration in the Ministry of Commerce.
6. Importation through buy-back:
In this method which is in fact importation prior to exportation, the importer shall, in addition to applying for import licenses and import registration in the Ministry of Commerce, proceed to open letters of credit in the banking system.
Note: Commercial importation of goods from Free Trade-Industrial Zones of the I.R. Iran to the Mainland is carried out in the same way as importation from abroad.

(ii) Purposes and coverage of licensing

1. Identify each licensing system maintained and state what products, appropriately grouped, are covered.

All governmental, non-governmental and cooperative importers, regardless of the origin or the exporting country of the product shall only refer to the Ministry of Commerce for the registration of imports. Exceptions on import registration are:
(1) Goods required by the frontiersmen and their cooperative societies, seamen and vessel crew, in non-commercial quantities (according to the list as mentioned in the Executive Ordinance of the Import-Export Regulations Act".
(2) Certain military goods approved by the Minister of Defence and Logistics of the Armed Forces;
(3) Goods imported by passengers in non-commercial quantities and according to the relevant list;
(4) Goods imported via mail in non-commercial quantities;
(5) Commercial and production samples in non-commercial quantities.
(6) Goods presented to the Government, municipalities, non-profit institutes and charity institutes (the list of which is approved by the Council of Ministers, and provided that such institutes are of non-commercial nature).

2. The system applies to goods originating in and coming from which countries?

It is essential to register the imports from all countries, regardless of the origin or the exporting country and there is no exception in this respect.

3. Is the licensing intended to restrict the quantity or value of imports, and if not, what are its purposes? Have alternative methods of accomplishing the purposes been considered and if so which? Why have they not been adopted?

The purpose of import registration is not to restrict the quantity of imports. However, in some cases where in accordance with international conventions such as the Montreal Protocol on Substances that Deplete the Ozone Layer, of which the I.R. of Iran is a member, the consumption of certain chemicals should be decreased to zero by a certain date. Import licensing may be an appropriate means to achieve such objectives.
The main purpose of import registration is to have access to statistics regarding applications for importation as well as planning purposes.

4. Cite the law, regulation and/or administrative order under which the licensing is maintained. Is the licensing statutorily required? Does the legislation leave designation of products to be subjected to licensing to administrative discretion? Is it possible for the government (or the executive branch) to abolish the system without legislative approval?

Import licensing is carried out by virtue of Article 8 of "Import-Export Regulations Act" approved by the Islamic Consultative Assembly in the Iranian year 1372 (1993) and Article 5 of its Executive Ordinance approved by the Council of Ministries in the Iranian year 1373 (1994), and the Government might not repeal the registration requirements without the approval of the Legislative.

(iii) Procedures

1. For products under restriction as to the quantity or value of imports (whether applicable globally or to a limited number of countries or whether established bilaterally or unilaterally):

(a) Is information published, and where, concerning allocation of quotas and formalities of filing applications for licenses? If not, how is it brought to the attention of possible importers? Of governments and export promotion bodies of exporting countries and their trade representatives? Is the overall amount published? The amount allocated to goods from each country? The maximum amount allocated to each importer?

There exists no quantitative or value quota for imports from any country and the bilateral and multilateral transactions with some countries are carried out in the framework of tariff preferences and trades with such countries are analyzed from aspects of tariff discounts. Such preferences are annually published in "the Act on Import-Export Regulations Book", and made publicly available in Persian and English.

(b) How is the size of the quotas determined: on a yearly, six-monthly or quarterly basis? Are there cases where the size of quota is determined on a yearly basis but licenses are issued for imports on a six-monthly or quarterly basis? In the latter case, is it necessary for importers to apply for fresh license on a six-monthly or quarterly basis?

Since there exists no quota in the foreign trade regime of the I.R. Iran, the question is not applicable.

(c) Are licenses allotted for certain goods partly or only to domestic producers of like goods? What steps are taken to ensure that licenses allocated are actually used for imports? Are unused allocations added to quotas for a succeeding period? Are the names of importers to whom licenses have been allocated made known to governments and export promotion bodies of exporting countries upon request? If not, for what reason? (Indicate products to which replies relate.)

Not applicable.

(d) From the time of announcing the opening of quotas, as indicated in I above, what is the period of time allowed for the submission of applications for licenses?

Not applicable.

(e) What are the minimum and maximum lengths of time for processing applications?
The applicants for import licenses can refer to the Ministry of Commerce offices throughout the country for import registration. Registration will be accomplished in maximum 48 hours from the application and is valid for 6 months. When the validity is expired, the applicant may apply for a renewal.

(f) How much time remains, at a minimum, between the granting of licenses and the date of opening of the period of importation?
There is no minimum time between the import registration and date of importation. The applicant can therefore proceed with importation immediately after import registration.
If the applicant obtains the required permits which are not related to the import licensing, but are certificates of sanitary and phytosanitary, quality and standard certificates issued by the relevant agencies, imported goods may be cleared after import registration in the Ministry of Commerce.

(g) Is consideration of license applications effected by a single administrative organ? Or must the application be passed on to other organs for visa, note or approval? If so, which? Does the importer have to approach more than one administrative organ?
Applications for import registration shall be submitted to the relevant departments in the Ministry of Commerce in the capital as well the provincial Commerce Departments throughout the country. In the case of certain products such as comestibles, beverages and cosmetic and health products, the importers shall previously refer to certain agencies such as the Ministry of Health and Medical Education, the Plant Protection Organization, the State Veterinary Organization, and the Atomic Energy Organization for import permits. The Ministry of Commerce has made its best efforts so that in the process of import registration, the importers are not required to refer to various agencies. The Ministry of Commerce then notifies the importers of the necessary warnings and health and technical regulations regarding goods to be imported. In addition, according to Article 6 of the Executive Ordinance of "Import-Export Regulations Act", all agencies and organizations, the observance of whose technical and health regulations and human-animal-plant quarantines is a prerequisite for importation, shall notify their regulations to the Ministry of Commerce. The Ministry of Commerce in turn informs the importers of such regulations through some public circulars in order that they will not incur any loss because of the non clearance of goods.
The Ministry of Commerce is computerizing the process of import registration, so that personal references can be considerably reduced.

(h) If the demand for licenses cannot be fully satisfied, on what basis is the allocation to applicants made? First come, first served? Past performance? Is there a maximum amount to be allocated per applicant and, if so, on what basis is it determined? What provision is made for new importers? Are applications examined simultaneously or on receipt?
Since there are no quotas or quantitative restrictions in the Iranian import licensing system, the question is not applicable.

(i) In the case of bilateral quotas or export restraint arrangements where export permits are issued by exporting countries, are import licenses also required? If so, are licenses issued automatically?
There are no such arrangements in the foreign trade regime of the I.R. Iran.

(j) In cases where imports are allowed on the basis of export permits only, how is the importing country informed of the effect given by the exporting countries to the understanding between the two countries?
There are no such limitations in the Iranian trade regime.

(k)Are there products for which licenses are issued on condition that goods should be exported and not sold in the domestic market?
No.

2. Where there is no quantitative limit on importation of a product or on imports from a particular country:
(a) How far in advance of importation must application for a license be made? Can licenses be obtained within a shorter time-limit or for goods arriving at the port without a license (for example, owing to inadvertency)?
The applicants for the import of goods can refer to the Ministry of Commerce departments throughout the country for import registration. Registration will be accomplished in maximum 48 hours and is valid for 6 months. When the validity is expired, the applicant may apply for a renewal.
If the applicant obtains the required permits which are not related to the import licensing, but are certificates of sanitary and phytosanitary, quality and standard certificates issued by the relevant agencies, imported goods may be cleared after import registration in the Ministry of Commerce.

(b) Can a license be granted immediately on request?
Yes.

(c) Are there any limitations as to the period of the year during which application for license and/or importation may be made? If so, explain.
No.

(d) Is consideration of license applications effected by a single administrative organ? Or must the application be passed on to other organs for visa, note or approval? If so, which? Does the importer have to approach more than one administrative organ?
Applications for import registration shall be submitted to the relevant departments in the Ministry of Commerce in the capital as well the provincial Commerce Departments throughout the country. In the case of certain products such as comestibles, beverages and cosmetic and health products, the importers shall previously refer to certain agencies such as the Ministry of Health and Medical Education, the Plant Protection Organization, the State Veterinary Organization, and the Atomic Energy Organization for import permits. The Ministry of Commerce has made its best efforts so that in the process of import registration, the importers are not required to refer to various agencies. The Ministry of Commerce then notifies the importers of the necessary warnings and health and technical regulations regarding goods to be imported. In addition, according to Article 6 of the Executive Ordinance of "Import-Export

Regulations Act", all agencies and organizations, the observance of whose technical and health regulations and human-animal-plant quarantines is a prerequisite for importation, shall notify their regulations to the Ministry of Commerce. The Ministry of Commerce in turn informs the importers of such regulations through some public circulars in order that they will not incur any loss because of the non clearance of goods.
The Ministry of Commerce is computerizing the process of import registration, so that personal references can be considerably reduced.

3. Under what circumstances may an application for a license be refused other than failure to meet the ordinary criteria? Are the reasons for any refusal given to the applicant? Have applicants a right of appeal in the event of refusal to issue a license and, if so, to what bodies and under what procedures?
Reasons for refusal of an application of import registration are:
(1) Failure to present technical, sanitary and phytosanitary certificates in exceptional cases where such certificates should be obtained in advance of the importation.
(2) Importation from countries which are subject to economic sanctions of the Islamic Republic of Iran.
(3) In particular cases such as importation of substances that deplete the ozone layer regarding which there are quantitative restrictions on an annual basis, and the relevant quotas have already been allocated.
In addition, there is the right of appeal in the above mentioned cases of refusal.

(iv) Eligibility of imports to apply for license
1. Are all persons, firms and institutions eligible to apply for licenses:
(a)under restrictive licensing systems?
Not applicable.

(b)under non-restrictive systems?
All persons, firms and institutions who have a "Commercial Card" may apply for import registration.

If not, is there a system of registration of persons or firms permitted to engage in importation? What persons or firms are eligible? Is there a registration fee? Is there a published list of authorized importers?
Not applicable.

(v) Documentation and other requirements for application for license
1. What information is required in applications? Submit a sample form. What documents is the importer required to supply with the application?
The applicants will be provided with five-page application forms for import registration. The applicants shall submit pro formas and catalogues (in case of certain industrial products and machinery), and technical, health and quarantine certificates required in special cases. In the case of second hand goods, the applicant shall submit such licenses as determined by the relevant Specialized Commission in the Ministry of Commerce.

2. What documents are required upon actual importation?
The applicants are only required to submit pro formas and catalogues (in case of certain industrial products and machinery), and technical, health and quarantine certificates required in special cases.

3. Is there any licensing fee or administrative charge? If so, what is the amount of the fee or charge?
The import registration "fee" is 0.05 percent of the value of pro forma.

4. Is there any deposit or advance payment requirement associated with the issue of licenses? If so, state the amount or rate, whether it is refundable, the period of retention and the purpose of the requirement.
In order to issue a letter of credit, the banks will request the importers to provide either a guarantee or cash as advance payment, the value of which depends on the credibility of the importer to the bank.

(vi) Conditions of licensing

1. What is the period of validity of a license? Can the validity of a license be extended? How?
The import registration license shall be valid for 6 months and it is renewable upon the importer's request. Such renewal is free of charge.

2. Is there any penalty for the non-utilization of a license or a portion of a license?
There is no penalty for the non-utilization of import registration.

3. Are licenses transferable between importers? If so, are any limitations or conditions attached to such transfer?
Import registration is not transferable among importers.

4. Are any other conditions attached to the issue of a license:
(a) for products subject to quantitative restriction?
Not applicable.

(b) for products not subject to quantitative restriction?
It is carried out as previously mentioned.

(vii) Other procedural requirements

1. Are there any other administrative procedures, apart from import licensing and similar administrative procedures, required prior to importation?
There exist no individual procedures except what has already been mentioned.

2. Is foreign exchange automatically provided by the banking authorities for goods to be imported? Is a license required as a condition to obtaining foreign exchange? Is foreign exchange always available to cover licenses issued? What formalities must be fulfilled for obtaining the foreign exchange?
In cases where the goods are required to be imported through letters of credit, the foreign currency required for the importation is provided by the bank and then its Rial equivalents will be paid to the bank by the importers.

ANNEX 4
Information on Implementation and Administration of the Customs Valuation Agreement

1. Questions concerning Article 1:
a) Sales between related persons:
i) Are sales between related persons subject to special provisions?
No special provisions deal with sales between related persons in the Customs Affairs Act of the Iranian Year 1350(1971).

ii) Is the fact of intercompany prices prima facie considered as ground for regarding the respective prices as being influenced?
The topic has not been laid down in the Customs Affairs Act.

iii) What is the provision for giving the communication of the afore-mentioned grounds in writing of the importer so requests? (Article 1.2 (a))
In Article 12 of the Customs Affairs Act, the deadline for raising objection to the determined value has been set as one month from the date of the written notification. According to Note 2 of Art.121.1 of the Executive By-Law of the aforementioned Act, such determined value must be based on either justified grounds or well-supported by acceptable evidences. It can therefore be inferred from these provisions that the grounds and evidences regarding determination of value must be notified to the owner of the goods.

iv) How has Article 1.2(b) been implemented?
The topic has not been laid down in the Customs Affairs Act.

b) Price of lost and damaged goods:
Are there any special provisions or practical arrangement concerning the valuation of lost or damaged goods?
Article 50 of the Customs Affairs Act has provided that in case the goods get spoiled, damaged or lost while enroute from the point of departure upto the delivery point at the port or the Customs Office or during the stoppage at the Customs or port facilities or while in domestic transit, the owner of the goods may: a) send back the goods, b) hand over the goods to the Customs Office without payment of import duties, c) separate the damaged or spoiled part and only pay the import duties of the intact part and abandon the clearance of the rest in favour of the Customs Office, or d) if the goods are not separable, request the Customs Office to consider some discount on the import duties, based on the degree of the damage or spoilage of the goods.
Therefore, the Customs Office may only discount the import duties. Valuation of the spoiled or damaged goods is the same as it is in the case of intact goods.

2. How has the provision of Article 4 to allow the importer an option to reverse the order of application of Articles 5 and 6 been implemented?
The provisions of Article 4 have not been dealt with in the Customs Affairs Act.

3. How has Article5.2 been implemented?
Valuation on the basis of the unit price of the imported goods after further processing has not been laid down in Customs Affairs Act.

4. How has Article 6.2 been implemented?
No provisions in the existing Act deal with the non-compulsion of persons who do not reside in the territory of the country of importation to provide information.

5. Questions concerning Article 7:
a) What provisions has been made for making value determinations pursuant to Article 7?
Applying reasonable means for customs valuation of the goods and relying on the information available at the country of importation, the existing Act has referred to the records of customs clearance of identical or similar goods, export price lists of the exporting countries, and valuation of the goods based on comparison made with domestic prices. However, any such determination shall be based on justified grounds or well-supported by acceptable evidences.

b) What is the provision for informing the importer of the customs value determined under Article 7?
In Article 12 of the Customs Affairs Act, the deadline for raising objection to the determined value has been set as one month from the date of the written notification. According to Note 2 of Art.121.1 of the Executive By-Law of the aforementioned Act, such determined value must be based on either justified grounds or well-supported by acceptable evidences. It can therefore be inferred from these provisions that the grounds and evidences regarding determination of value must be notified to the owner of the goods.

c) Are the prohibitions found in Article 7.2 delineated?
The prohibitions found in Article 7.2 have not been expressly delineated in the Customs Affairs Act.

6. How have the options found in Article 8.2 been handled? In the case of F.O.B. application are EX-Factory prices also accepted?
Article 10 of the Customs Affairs Act states that the value of the imported goods at the Customs office, in all cases, includes: the CIF price (the price of the goods in the origin in addition to insurance, freight and packing) and other charges added to the price up to the point of entry at the first Customs office. In value determination, the Customs Affairs Act has referred to the charges mentioned Article 8.2. Therefore, at the Customs office, firstly, the price mentioned in the documents is considered, and in case methods other than CIF such as C&F, FOB or Ex-Factory have been used to determine the value of the goods, other elements and charges will be added to the value of the goods in order to calculate the CIF value.

7. Where is the rate of exchange published, as required by Article 9.1?
The exchange rates of currencies are notified by the Central Bank of the I. R. Iran.

8. What steps has been taken to ensure confidentiality, as required by Art.10?
The Customs Affairs Act has not set any specific mechanisms for this issue. However, it has been recognized as a principle in the Customs Administration. Furthermore, Article 35 of the said Act provides that the involvement of the Customs staff in the field of trade or as a commissioner or in any professions relating to their duties in the Customs is prohibited, and the offenders will be expelled by the decision of the relevant administrative court

9. Questions concerning Article 11:

(a) What rights of appeal are open to importer or any other person?

By virtue of the Iranian regulations, the right of appeal is open to importers vis-à-vis customs value determined. Article 12 of the Customs Affairs Act states that the value determined by the Customs is final, unless it is objected to by the owner of the goods within a month from the notification by the Customs office. In case of objection, the dispute shall be reviewed by the Customs Dispute Settlement Commission found in Article 51 of the Customs Affairs Act. In cases where the value of the goods is determined after they are cleared, the Customs Office demands the payment of balance due (against the determined value and the relevant tariff). Any objection to such valuations shall be submitted in written form within a 30-day period from the date of the Demand for Payment.

The Customs office will carefully entertain the objection. If the objection is justified and well-founded, the Demand for Payment will be withdrawn, otherwise the grounds of inadmissibility of the objection will be notified to the objector and the Demand for Payment will continue to be in force. In case no objection is raised in the 30-day deadline from the first notification, or no request is made to refer the case to the Customs Dispute Settlement Commission within one week from the second notification and no payment is made effective against the Demand for Payment, the enforcement process will begin. The decisions of the Customs Dispute Settlement Commission on cases amounting to more than 5 million Rials can also be appealed within 20 days as of the date of the notification of the Commission's decision, at the Appellate Commission stipulated in Article 52 of the Customs Affairs Act.

(b) How is he to be informed of his right to further appeal?

Article 12 of the Customs Affairs Act has expressly recognized this right and everybody can be informed of it through referring to the said Act. Also during the clearance, the owners of the goods are informed of their right to appeal as well as the grounds and the procedures of such appeal. After the clearance, the Demand for Payment will contain information as to the owner's right for further appeal.

10. Provide information on the publication, as required by article 12, of:

(a) (i) the relevant laws;

(ii) the regulations concerning the application of the Agreement;

(iii) the judicial decision and administrative rulings of general application relating to the Agreement;

(iv) general or specific laws being referred to in the rules of implementation or application.

The issue of the publication of national laws and regulations, as well as regulations relating to the application of the Agreement has not been raised in the Customs Affairs Act. However, all laws and regulations, adopted by either the Parliament or the Executive Branch shall only be applicable after they are published in the Official Gazette of the I.R. Iran. In conformity with Note 3 of the Amended Article 52 of the Customs Affairs Act, the decisions of the Customs Disputes and Appellate Commissions will only be applicable as between the parties to the dispute and they are not to be published. However, all judicial decisions and administrative rulings of general application, including those relating to the Agreement shall be published in the Official Gazette of the I.R. Iran.

(b) Is the publication of further rules anticipated? Which topics would they cover?
The publication of further rules and issues has not been anticipated.

11. Questions concerning Article 13:
(a) How is the obligation of Article 13 (last sentence) being dealt with in the respective legislation?
(b) Have additional explanations been laid down?
In case of such disputes between the Customs and the owners of the goods, where the clearance of the goods is subject to the payment of an amount more than what has been declared, the owners may pay the import duties and the relevant customs charges according to their declaration, and deposit the probable balance duties and charges in the form of cash deposit or bank guarantee and proceed with the clearance of the goods.

12. Questions concerning Article 16:
(a) Does the respective national legislation contain a provision requiring customs authorities to give an explanation in writing as to how the customs value was determined?
(b) Are there any further regulations concerning an above-mentioned request?
In Articles 12 and 16 of the Customs Affairs Act, the issue of keeping the importer informed of the modalities of valuation and addressing the customs disputes has been laid down. The determined value and Demand for Payment must be notified to the owner of the goods in writing.

13. How have the Interpretative Notes of the Agreement been included?
The Interpretative Notes of the Customs Valuation Agreement have not been included in the Customs Affairs Act.

14. How have the provisions of the Decision of 26 April 1984 on the treatment of interest Charges in the Customs Value of Imported Goods (Val/6/Rev.1) been implemented?
As regards the treatment of interest charges in customs valuation of the imported goods, and with due attention to Article 10 of the Customs Affairs Act which expressly provides that other charges added to the price upto the point of entry at the first Customs Office constitute a part of the value of the goods, interest is therefore not calculated in the value, since it is a part of the charges added to the price of the goods after the importation,.

15. For those countries applying paragraph 2 of the Decision of 24 September 1984 on the Valuation of carrier Media Bearing Software for data Processing Equipment (Val/8), how have the provision of this paragraph been implemented?
No provisions deal with the valuation of the carrier media bearing software for data processing in the Customs Affairs Act.

ANNEX 5
Information on Technical Barriers to Trade

1. Description of relevant laws, regulations, administrative orders, etc. relating to implementation and administration of technical barriers to trade

The Institute of Standards and Industrial Research of Iran (ISIRI) is the sole government agency in charge of setting and developing standards, and of their implementation subject to the approval of the Supreme Council of Standards. However, in certain cases regarding special standards, other agencies besides the ISIRI are also involved. For instance, the Ministry of Health and Medical Education is in charge of setting, developing, publicizing and monitoring the implementation of pharmaceutical standards, and the Atomic Energy Organization is in charge of monitoring the observance of standards relating to nuclear energy.

On the whole, laws, regulations, administrative orders, etc. of the I.R. Iran relating to implementation and administration of technical barriers to trade include the following:

- The 1992 Act on the Amendment of the Laws and Regulations of the Institute of Standards and Industrial Research of Iran (the Iranian year 1371), and its subsequent Amendment of 1997 (the Iranian year1376);
- The 1967 Act on Plant Protection (the Iranian year 1346);
- The State Veterinary Organization Act of 1971 (the Iranian year 1350);
- The 1955 Act on Regulations Regarding Medical and Pharmaceutical Affairs, Comestibles, and Beverages (the Iranian year 1334);
- The 1988 Act on the Organization and Functions of the Ministry of Health and Medical Education (the Iranian year 1367);
- The 1989 Act on Protection against Radiation (the Iranian year 1368);
- The regulations applicable to licensed medicines;
- Relevant decisions of the Council of Ministers;
- Relevant regulations of the annual State Budgetary Acts;
- Relevant regulations of the Five-Year Development Plan Acts.

2. Information regarding

(a) Names of publications, if any, on work relating to draft technical regulations or standards and procedures

The publication of national standards, the list of items subject to such standards, technical regulations, procedures and directives is monitored by the Standard Formulation Bureau, Administrative Modernization and Development Bureau, Publication Unit, and the Public Relations and International Affairs Department of the ISIRI. In addition, the Ministry of Health and Medical Education has publicly notified its acceptable international pharmaceutical standards, and the Directorate-General on Monitoring Pharmaceuticals and Narcotics of the Food and Drug Department of this Ministry is in charge of reviewing, modifying and publicly notifying the relevant standards. The standards regarding pharmaceutical products in Iran are determined and modified by the Pharmacopeia Council.

(b) The name and address of the enquiry point(s) foreseen in Articles 10.1 and 10.3 of the WTO Agreement on Technical Barriers to Trade (the Agreement)

The Institute of Standards and Industrial Research of Iran (ISIRI) acts as the enquiry point foreseen in Article 10 of the WTO Agreement on Technical Barriers to Trade. The address is:

1. Vanak Square, Tehran, P.O. Box: 6139-14155.

2. The Industrial Town of Karaj, P.O. Box: 163-31585.
Internet web site: www.isiri.org and www.isiri.com.
As regards pharmaceutical standards, the Directorate-General on Monitoring Pharmaceuticals and Narcotics of the Food and Drug Department of the Ministry of Health and Medical Education has been designated as the enquiry point as foreseen in Article 10 of the WTO Agreement on Technical Barriers to Trade:
Tehran, Enghelab Square, Fakhr-e-Razi Street, Food and Drug Department of the Ministry of Health and Medical Education, 6th Floor.
Internet web site: www.fdo.ir.

(c) The name and address of the agency dealing with consultations as foreseen in Article 14 of the Agreement

At present, there is no independent agency in Iran to supply services as foreseen in Article 14 of the Agreement.

(d) The name and address of agencies that are dealing with other specific functions foreseen in the Agreement

- The Ministry of Health and Medical Education; Simaye Iran Street, South Falamak Street, Ivanak Avenue, Sanat Square, Qods Town, Tehran.
- The Atomic Energy Organization; North Kargar Avenue, Tehran, P.O. Box: 14155-1339.

(e) The scope of responsibility of the central government authorities in the area of notification requirements foreseen in Article 10.11 of the Agreement and of individual government authorities

According to the 1992 Act on the Amendment of the Laws and Regulations of the Institute of Standards and Industrial Research of Iran (the Iranian year 1371), and its subsequent Amendment of 1997 (the Iranian year1376), the Head of the Institute, Directors-General of the Inspection of Goods and Import-Export Affairs Departments, as well as the capital based Directors-General and provincial Directors-General of the ISIRI are directly responsible for notification foreseen in Article 11 of the Agreement.
As regards pharmaceutical standards, the Deputy Minister of Health and Medical Education for Food and Drug, the Director-General on Monitoring Pharmaceuticals and Narcotics, and the Technical Deputy Director-General on Monitoring Pharmaceuticals and Narcotics of the Ministry of Health and Medical Education are directly responsible in the area of notification requirements foreseen in Article 11 of the Agreement.

(f) Measures and arrangements to ensure that national and sub-national authorities preparing new technical regulations or substantial amendments to existing ones, provide early information on their proposals

According to the 1992 Act on the Amendment of the Laws and Regulations of the Institute of Standards and Industrial Research of Iran (the Iranian year 1371), and its subsequent Amendment of 1997 (the Iranian year1376), any change in the regulations is notified to the public through the press and media, three months before implementation.
As regards pharmaceutical standards, any change in the laws, regulations, standards and compliance procedures is notified to the public through the press and media, as well as the internet site of the Food and Drug Department, www.fdo.ir.

ANNEX 6
Information on State-Trading
Questionnaire on State-Trading

I. Enumeration of state-trading enterprises
- The National Iranian Oil Company (NIOC):
Crude oil (HS 27090000)
Natural gas (HS 271111)

II. Reason and purpose for introducing and maintaining state trading enterprise
The NIOC, affiliated to the Ministry of Petroleum was established in 1948 for the promotion and exploitation of oil resources and increasing foreign currency revenues. Due to the strategic status and importance of petroleum in the Iranian economy and its role in earning foreign currency revenues, the Constitution of the Islamic Republic of Iran and other relevant laws have set this sector subject to public ownership and have accordingly granted the authority to administer this sector to the Government.

III. Description of the functioning of state-trading enterprise
The NIOC is exclusively responsible for the exploration, extraction, transportation and exportation of crude oil, as well as sales of natural gas and liquefied natural gas (LNG). According to the Fourth Economic, Social and Cultural Development Plan Act of the I.R. Iran, the Government has been required to transfer at least 10% of the activities related to the exploration, extraction and production of crude oil to the private sector, while in the meantime retaining its ownership of oil resources. This is also the case in other fields of the Ministry of Petroleum's activities.
Having provided the domestic refineries and manufacturing plants with crude oil required for the petroleum products, the NIOC exports its surplus production according to commercial considerations in the framework of the quotas determined by the Organization of Petroleum Exporting Countries (OPEC) and at the prices prevalent in the international markets. The NIOC also signs some long term contracts on "buy-back" basis with foreign companies in order to exploit national oil fields and export its products. The NIOC exports natural gas and liquefied natural gas via the "National Iranian Gas Export Company" which is one of its subsidiaries.

IV. Statistical information
National Iranian Oil Company (Crude oil: thousand barrels per day
Natural gas: billion cubic meters per year)

Total domestic production			**Total imports**			**Total exports**			**Company exports**			**product**
1384 (2005)	**1383 (2004)**	**1382 (2003)**	**1384 (2005)**	**1383 (2004)**	**1382 (2003)**	**1384 (2005)**	**1383 (2004)**	**1382 (2003)**	**1384 (2005)**	**1383 (2004)**	**1382 (2003)**	
4106	3835	3736	-	-	-	2602	2548	2396	2602	2548	2396	Crude oil
130/6	119/4	109/6	4/1	5/9	5/8	4/8	3/5	3/4	4/8	3/5	3/4	Natural gas

I. Enumeration of state-trading enterprises
- The National Iranian Oil Refining & Distribution Company (NIORDC):
Gasoline (HS 27101110)
Light jet fuel (JP4) (HS 27101190)
Heavy jet fuel (ATK) (HS 27101190)

Kerosene (HS 27101190)
Gas oil (HS27101190)
Fuel oil (HS 27101190)
Lubricants (HS 27101910, 27101920)
Grease (HS 27101930)
Liquid gas (HS 2711)
Tar (HS 27132000)
Paraffin (HS 27129010)
Slack wax (HS 27129020)
Sulphur (HS 28020000)
Solvents (HS 38140000)

II. Reason and purpose for introducing and maintaining state trading enterprise

The NIORDC, affiliated to the Ministry of Petroleum was founded in 1992 in order to meet the national needs for fuel and other petroleum products and increase foreign currency revenues and sustainable exploitation of domestic oil resources. Due to the strategic status of fuel and petroleum products and the significance of a reliable supply of energy in the Iranian economy as well as the need for huge investments for the promotion and exploitation of such resources, this sector has generally been administered by the Government.

III. Description of the functioning of state-trading enterprise

The NIORDC carries out the activities regarding the refining of crude oil and processing it into various petroleum products as well as transportation, storage, distribution, importation and exportation of petroleum products through a number of its subsidiary companies. The NIORDC was exclusively in charge of such activities up to a few years ago, but under the Third Development Plan Act, (the Iranian years 1379-83 (2000-04)), the Ministry of Petroleum was authorized to license non-public sector to construct refineries and manufacturing plants of petroleum products. According to the Fourth Development Plan Act, (the Iranian years 1384-88(2005-09)), the Government has been obligated to entrust at least 10% of petroleum refining, distribution and transportation capacity to the non-public sector. As a result, the private sector is currently participating in a number of activities of the NIORDC, such as distribution of petroleum products.

In the case of imports and exports of downstream petroleum products there is no restriction on the activities of the private sector and at present this sector is active in the exportation of most of downstream petroleum products and plays a major role in exporting such products. The NIORDC has a monopoly in the exportation of major petroleum products, such as fuel products. It is exclusively responsible for importing those major petroleum products, the domestic production of which does not meet the country's needs. Since such imported products are supplied to the domestic consumers at prices lower than international prices, just as is the case with domestically produced like products, practically non-public sector will not import such products. Meeting the domestic demands is a precondition for the exportation of petroleum products. The NIORDC exports the surplus productions at prices prevalent in the international markets.

IV. Statistical information

National Iranian Oil Refining and Distribution Company (million liters per day)

Domestic consumption			Total domestic production			Total exports			Total imports			Product
1383 (2004)	1382 (2003)	1381 (2002)	1383 (2004)	1382 (2003)	1381 (2002)	1383 (2004)	1382 (2003)	1381 (2002)	1383 (2004)	1382 (2003)	1381 (2002)	
60/61	56/28	50/52	40/20	39/87	39/87	-	-	-	22/67	15/110	10/420	Engine gasoline
21/25	21/55	23/75	22/99	24/74	24/74	0/6	1/51	1/97	-	-	-	Kerosene
74/47	72/02	70/81	77/04	73/15	73/15	3/35	0/61	2/01	-	-	-	Gas oil
34/35	37/35	39/60	74/76	77/13	77/13	37/27	40/89	42/22	-	-	-	Fuel oil
11/58	11/78	11/90	8/43	8/61	8/61	-	-	-	14/92	-	-	Liquid gas

National Iranian Oil Refining and Distribution Company

International price (Persian Gulf market): USD per barrel for three first products and USD per ton for fuel oil			Domestic price (Rials per liter)			Product
1383 (2004)	1382 (2003)	1381 (2002)	1383 (2004)	1382 (2003)	1381 (2002)	
45/2	32/30	27/19	800	650	500	Engine gasoline
44/9	30/62	26/49	165	160	130	Kerosene
41/1	29/87	25/87	165	160	130	Gas oil
191/6	158/06	140/82	94/5	88/2	70	Fuel oil
-	-	-	257/8	232	180	Liquid gas

I. Enumeration of state-trading enterprises

- The National Petrochemical Company (NPC):

Chemicals (HS 2902, 2915)
Fertilizers (HS 3102-5)
Polymers (HS 3901, 3902, 3903, 3904, 3907)
Aromatic products (HS 2903)
Fuels and hydrocarbons (HS 2711, 2901)

II. Reason and purpose for introducing and maintaining state trading enterprise

The NPC, affiliated to the Ministry of Petroleum was established in 1964 aimed at developing petrochemical industry and reliable supply of petroleum products to the domestic market and better utilization of value added of oil resources and natural gas and also diversifying foreign currency revenues. Due to the importance of huge investments for the development of domestic petrochemical industry promotion and the strategic significance of this sector, the Government was principally in charge of the ownership and administration of this industry up to a few years ago.

III. Description of the functioning of state-trading enterprise

The NPC is a holding company, in charge of production, distribution, exports and imports of petrochemical products through its subsidiaries and numerous

manufacturing complexes. The commercial affairs of the NPC are managed by Iran Petrochemical_Commercial Company (IPCC). In addition to the NPC, non-public enterprises are also allowed to be active in the importation and exportation of petrochemical products. However, as the products of the NPC have up to now been subject to the government pricing policies and the prices have been maintained at levels lower than global prices for consumer protection purposes, practically the private sector has not been active in the importation of such products. In the framework of the macro policies and development plans aiming at privatization and higher levels of private sector participation in the economy, this sector has recently become active in the production of petrochemical products. In addition, according to the Fourth Economic, Social and Cultural Development Plan Act, the Government has been mandated to transfer at least 10% of its production capacity to the private sector.
The NPC exports the products surplus to requirements of the country at the prices prevalent in the global markets, taking into account the demand and supply considerations. Together with the NPC, the private sector exports petrochemical products and imports such products, the domestic production of which does not meet the country's needs. The NPC has in the recent years signed long term contracts with some countries in order to export its products and is currently negotiating with other countries to sign such contracts.

IV. Statistical information

National Petrochemical Company (Quantity: thousand tons, Value: million USD)

Domestic sale						Exports						Product
1384(2005)		1383 (2004)		1382 (2003)		1384(2005)		1383 (2004)		1382 (2003)		
Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	
-	-	-	-	217	804	384	1211	297	1026	232	749	Chemicals
-	-	-	-	138	2069	113	1155	140	1295	99	896	Fertilizers
-	-	-	-	555	842	158	165	105	108	76	105	Polymers
-	-	-	-	73	167	406	440	244	270	172	335	Aromatic products
-	-	-	-	140	683	1196	2531	960	2699	646	2459	Fuel & hydrocarbons
-	4697	-	4771	1123	4565	2257	5502	1746	5398	1225	4544	Total

I. Enumeration of state-trading enterprises

- The National Iranian Gas Company (NIGC):

Natural gas, gaseous liquids and liquid gas (LPG) (HS 271121)
Sulphur (HS 28020000)

II. Reason and purpose for introducing and maintaining state trading enterprise

The NIGC, affiliated to the Ministry of Petroleum was founded in 1965, aiming at the development and exploitation of country's gas resources and reliable supply of natural gas and other gas products. Given the strategic status and importance of gas in the Iranian economy, the Constitution of the I.R. of Iran and other relevant regulations have set gas production, extraction and exploitation in public ownership and assigned its administration to the Government.

III. Description of the functioning of state-trading enterprise

The NIGC is in charge of the production, refining, transport, storage, distribution of natural gas and other gas products, as well as the exportation of gaseous liquids and sulphur. In accordance with the Fourth Economic, Social and Cultural Development Plan Act, the Government has been required to transfer at least 10% of the activities

related to the gas exploration, extraction and production to the private sector, provided that it retains public ownership of gas resources.
At present the private sector is active in the exportation of a number of gas products. There is also no legal restriction on the importation of gas products by the private sector, although due to the subsidized supply of these products by the Government there is actually no importation of such products by the private sector. Meeting the domestic "demands" is a precondition for the exportation of gas products. The NIGC is allowed to export the production surplus to domestic requirements. The NIGC has signed long term contracts in order to export its products at the prices prevalent in the international markets, taking into account the commercial considerations.

IV. Statistical information

National Iranian Gas Company (million cubic meters per day)

Domestic sale price (Rials per cubic meters)			Domestic production			Domestic consumption			Exports			Imports			Product
1383 (2004)	1382 (2003)	1381 (2002)	1383 (2004)	1382 (2003)	1381 (2002)	1383 (2004)	1382 (2003)	1381 (2002)	1383 (2004)	1382 (2003)	1381 (2002)	1383 (2004)	1382 (2003)	1381 (2002)	
72/5	60/6	54/8	356	298/6	263	265/7	235/6	208/2	9/59	9/35	3/49	16/12	15/70	14/46	Natural gas

I. Enumeration of state-trading enterprises

- The Government Trading Company (GTC):

Wheat (HS 1001)
Rice (HS 1507)
Raw sugar (HS 1701)
Raw oil (HS 1507)
Milk in powder (HS 04021010)
Fertilizer (HS 3102)

II. Reason and purpose for introducing and maintaining state trading enterprise

The GTC is affiliated to the Ministry of Commerce. The main objective of its establishment is to ensure food security in the country through procuring the basic commodities required by the public such as essential foodstuffs from domestic and foreign sources. Such commodities are distributed among consumers at subsidized prices. The activities of the GTC regarding the procurement of essential commodities are regulated by the statute "the Government Procurement Concerning the Supply of Basic Products and Foodstuffs Essential to the Public from Foreign Sources" approved in the Iranian year 1358(1979). The GTC also supports domestic producers through procuring parts of the basic products and essential commodities from domestic sources of production.

III. Description of the functioning of state-trading enterprise

The GTC is in charge of domestic purchases, importation, storage and distribution of essential commodities required by the public. It carries out the purchases according to the decision of a "Procurement Council" consisting of representatives of a number of ministries and governmental organizations, as specified in the above mentioned statute. The quantity of the essential commodities to be imported is annually determined by the Council of Economy and the respective subsidies allocated to the supply of the essential commodities are predicted in the Annual Budgetary Acts. The

GTC mainly carries out its foreign procurements through tendering or negotiation, and all suppliers enjoy equal opportunities to take part in the procurement procedure. These imported or domestically procured products, such as wheat, raw sugar, raw oil, which need more processing are sent to the relevant domestic factories and then distributed among various classes of consumers at subsidized prices by the GTC. The GTC conducts the domestic purchase of the essential agricultural commodities such as wheat and rice through its agents at guaranteed prices annually determined by the Council of Economy. It has facilities for transportation, storage and distribution, which are necessary for carrying out its functions. The highest proportion of subsidies paid for essential commodities (47 percent of total subsidies), is allocated to the supply of wheat and wheat flour for public consumption. The Government's role regarding other essential commodities is limited to providing supplementary resources to meet the public requirements. There is no restriction on the non-public sector concerning the importation of products covered by the GTC. Such importers can sell their imported commodities at the prices prevalent in the domestic market. In addition, in line with the privatization programmes, the GTC is planning to transfer parts of its facilities (including preservation and storage facilities) to the non-public sector.

IV. Statistical information

Government Trading Company (quantity: thousand tons)

Domestic purchase(billion rials)				**Imports(million dollars)**				**Product**
1384(2005)		**1383 (2004)**		**1384(2005)**		**1383 (2004)**		
Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	
20823/9	11130/6	18983/9	11203	143/6	1018/5	-	-	Wheat
483/1	90	652/8	74/4	164/1	619/5	140/3	661/5	Rice
-	-	-	-	226	485/7	219/3	409	Raw oil
-	-	-	-	159	628	58/4	321	Raw sugar
-	-	-	-	144	720/3	186/8	1003	Fertilizer
-	-	-	-	1/04	0/45	3/8	1/7	Milk powder
1868/2	365/8	2361/2	557/3	-	-	-	-	White sugar
741/4	125/1	2372/3	391/7	-	-	-	-	Hard sugar

I. Enumeration of state-trading enterprises

- The Agricultural Support Service Company (ASSC):

Fertilizers (HS 3102, 3103, 3104, 3105)

Seed and sapling (HS 1209, 0601, 0602)

Pesticides (HS 3811)

II. Reason and purpose for introducing and maintaining state trading enterprise

The ASSC, affiliated to the Ministry of Jihad-e-Agriculture, was established in the Iranian year 1378 (1994), aiming at supporting producers of agricultural goods by means of providing their required production inputs at subsidized prices.

III. Description of the functioning of state-trading enterprise

The ASSC procures all production inputs required by the farmers, from domestic sources of production and through importation. The ASSC is also active in production of different seeds and saplings. It is also allowed to export the inputs surplus to domestic requirements. The amount of subsidies to be paid for the supply agricultural inputs and the price of their resale to the farmers, as well as the quantity of the domestic purchases and imports of each agricultural input by the ASSC, are annually determined by the Council of Economy and laid down in the Annual Budgetary Acts.

The ASSC carries out a portion of its approved domestic purchase from government factories and in other cases such as imports, it carries out the purchases through tenders. The importers of private sector are allowed to import the agricultural inputs of the ASSC and sell them at the prices prevalent in domestic markets. It should be mentioned that due to relatively high subsidies paid to some agricultural inputs, including fertilizers and the provision of a considerable proportion of the farmers' needs through such subsidized inputs, the private sector importers have not practically imported these products over the recent years.

IV. Statistical information

Agriculture Support Service Company (2005)

Sales price	Cost price	Domestic purchase	Imports	product
497(Rial per kg)	2090(Rial per kg)	3011(thousand tons)	1650(thousand tons)	Fertilizers
28500(Rial per liter)	78000(Rial per liter)	8505(tons)	2573(tons)	Toxins
		293(thousand tons)	-	Seeds:
255/6(Rial per kg)	3080(Rial per kg)	-	-	- wheat
198/3(Rial per kg)	2511(Rial per kg)	-	-	- barley

I. Enumeration of state-trading enterprises

- **The State Livestock Affairs Logistics(SLAL):**

Barley (HS 1003)
Maize (HS 1005)
Livestock feed (HS 2303, 2304, 2306)
Milk (HS 04041)
White and red meat (HS 0201, 0202, 0204, 0207)
Animal protein products (HS 1601, 1602)
Live animals (HS 0102, 0104, 0105)

II. Reason and purpose for introducing and maintaining state trading enterprise

The SLAL is affiliated to the Ministry of Jihad-e-Agriculture. According to its Articles of Association, the SLAL has numerous activities such as ensuring the country's food security, public health, and regulation of the markets of livestock inputs and products, as well as protection of domestic livestock producers.

III. Description of the functioning of state-trading enterprise

The functions of the SLAL include production, preservation, distribution and regulation of market for livestock feed, animal proteins and their products, livestocks, milk and its products as well as domestic purchases, importation and exportation of these products. The SLAL protects the domestic production by means of guaranteed purchases of products and supply of subsidized imported livestock feed to the relevant producers. The SLAL plays a key role in the production and distribution of animal proteins and their products as well as protecting and supervising the plants processing livestock products in order to ensure a reliable supply of foodstuffs to the consumers. As to such purposes, the company has the facilities of production, storage, processing and distribution of livestock products. Importantly, as there is no monopoly in the activities of the SLAL, the private sector is authorized to be active in the field of importation and exportation of such products.

IV. Statistical information

State Livestock affairs Logistics (thousand tons**)**

Domestic production	Resale	Domestic purchase	Imports	Product	Year
1653	190	281/5	143/5	Maize	**1382 (2003)**
2908	663/5	280/8	178	Barley	
-	75/4	-	31/6	Soya	
752	22/2	3/3	20/2	Beef	
1104	24/5	220	-	Chicken	
-	-	618/3(ton)	-	Live cattle	
-	-	8/9(ton)	-	Live sheep&goat	

I. Enumeration of state-trading enterprises

- The Central Organization for Rural Cooperatives of Iran(CORCI):

Wheat (HS1001)
Barley (HS 1003)
Rice (HS 1006)
Maize (HS 1005)
Soya bean (HS 12010000)
Colza (HS 1206000)
Sunflower (HS 12060000)
Safflower (HS 12076000)
Bean (HS 07082000)
Pea (HS 07081000)
Lentil (HS 07089100)
Potato (HS 0701)
Onion (HS 07122000)
Apple (HS 08081000)
Citrus (HS 0805)
Date (HS 080410)
Raisin (HS 080620)
Pistachio (HS 08025000)
Sugar beet (HS 12129100)
Cotton (HS 520100)
Tea (HS 0902)
Saffron (HS 091020)

II. Reason and purpose for introducing and maintaining state trading enterprise

The CORCI affiliated to the Ministry of Jihad-e-Agriculture, is in charge of price protection of farmers and contributes to ensuring food security and to self-sufficiency in production of agricultural staples.

III. Description of the functioning of state-trading enterprise

The CORCI is responsible for domestic procurement of those agricultural products which are subject to guaranteed purchase. The list of agricultural products, which are subject to guaranteed purchase, as well as their guaranteed prices are annually determined by the Council of Economy. Since the guaranteed prices of many agricultural products are in fact determined as the minimum prices, they are therefore not necessarily compatible with the prices prevalent in the domestic or international markets. In practice only a proportion of domestic products is purchased by the CORCI, and most of such products are traded by the producers in domestic market at competitive prices. The CORCI supplies those products such as oil seeds, sugar beet and sugar cane which are considered as essential commodities to the processing plants at subsidized prices, and release other products through tender at prices prevalent in the market, such prices might be lower than their respective guaranteed prices. The amount of subsidies allocated to the guaranteed purchase of agricultural products by the Ministry of Jihad-e-Agriculture, are annually determined in the Annual Budgetary Acts.

Meanwhile, there exists no restriction on the domestic purchase of agricultural products, which are subject to the guaranteed purchase by the private sector, and as mentioned above, generally the major portion of productions of farmers are traded in the domestic market. However, the private sector is not actually motivated to be active in purchasing products such as wheat which enjoy heavy subsidies. The non-public sector is also allowed to import agricultural products, which are subject to the guaranteed purchase. The exportation of such agricultural products as wheat, which are domestically distributed at the subsidized prices, as well as those commodities, in production of which subsidized inputs are utilized, is solely subject to the payment of the relevant differentials to the Organization for Protection of Consumers and Producers(OPCP).

IV. Statistical information

Central Organization for Rural Cooperatives

Domestic production (thousand tons)		Guaranteed purchase price (Rials per kg)		Domestic purchase (thousand tons)		product
1384(2005)	1383 (2004)	1384(2005)	1383 (2004)	1384(2005)	1383 (2004)	
14308	14565	1870	1700	11130/6	112030	Wheat
2857	2940	1430	1250	-	-	Barley
2739	2542	6000	5500	90	74/4	Rice
1995	1926	1480	1350	-	-	Maize
198	218	2770	2600	-	-	Soya bean
235	126	3420	3110	-	-	Colza
		3100	2880	-	-	Sunflower
		3200	2950	-	-	Safflower
216	226	3250	3120	-	-	Bean
265	287	3120	300	-	-	Pea
113	111	3390	3260	-	-	Lentil
4830	4453	740	670	-	-	Potato
1685	1627	540	515	-	-	Onion
-	-	-	-	-	-	Apple
-	-	-	-	-	-	Citrus
-	-	-	-	-	-	Date
-	-	-	-	-	-	Raisin
-	185	-	-	-	-	Pistachio
4902	4918	420	390	-	-	Sugar beet
363	420	4150	3800	-	-	Cotton
-	134	290	-	-	-	Tea
-	-	-	-	-	-	Saffron

I. Enumeration of state-trading enterprises

- The Iran Fisheries Organization(IFO):

Caviar (HS 16043000)
Sea products (HS chapter 3)
Fishery products (HS 16040)

II. Reason and purpose for introducing and maintaining state trading enterprise

The Iran Fishery Organization (IFO), affiliated to the Ministry of Jihad-e-Agriculture, was established in the Iranian year 1361(1982). The main purpose of the IFO is to guarantee sustainable exploitation and protection of Iranian marine resources in line with the Government's commitments in the framework of international conventions relevant to the protection of marine species in danger of extinction, as well as ensuring food security regarding fishery products.

III. Description of the functioning of state-trading enterprise

The IFO is in charge of preserving marine resources, breeding, processing and distribution of sea products as well as importation and exportation of fishery products and providing logistic services to the fishing firms. Due to the importance of Iran's commitment to its international obligations under the international conventions regarding the protection of sturgeon fish, the IFO has a monopoly in the exploitation and exportation of caviar products. The IFO regulates the quantity of caviar exports, based on export quotas determined in the framework of the "Convention on International Trade of Endangered Species of Wild Fauna and Flora (CITES)". However, the non-public sector is also allowed to operate in the other fields of activity of the IFO, which include production, distribution, processing, importation and exportation of fishery products. The IFO exports its products at the price prevalent in the international markets.

IV. Statistical information

Iranian Fisheries Organization

Export		Year	Product
Value(thousand USD)	Quantity (tons)		
46	24510	**1381 (2002)**	Caviar
58/8	35792	**1382 (2003)**	

ANNEX 7
Services sectoral classification list and conditions, requirements, procedures and registration and licensing bodies associated with the supply of services

A. Business Services

1. Professional services

Conditions and requirements	Licensing body	Type of service
1- Registration as non- profit and non-commercial institute. 2- Full-time employment of the partners of an auditing institute within that same institute. 3- Partners of an auditing institute are subject to joint liability for the activities of the institute and against third parties.	Association of Official Accountants of Iran	Accounting and auditing

2. Computer and related services
Although the Supreme Council of Informatics is the only body responsible for the conduct of computer services activities in Iran, applicants for the establishment of computer firms may register their firm at the Bureau for Registration of Companies without obtaining license from the Supreme Council of Informatics and just refer to the secretariat of the Supreme Council for the purpose of qualification and rating of their firms. Qualified computer firms operating in the field of software production would be referred to the engineering services unit of the Ministry of Industries and Mines by the secretariat of the Supreme Council to obtain computer software production license upon approval of the software commission. In accordance with the related bylaw, as a condition to qualify, informatics firms must acquire a minimum of 50 points and a minimum of 51% of their total shares must belong to Iranian legal or natural persons.

3. Research and development services
Depending on the subject of activities, requests for establishing non-governmental research centers, are examined by the Ministry of Science, Research and Technology or the Ministry of Health and Medical Education and are subsequently referred to the relevant Council of Higher Education Promotion for final consideration and approval.
The following are conditions governing the issuance of permit for establishing non-governmental research centers:
A) Membership of at least five academic persons, with at least three full-time members in the research group. The academic persons must be at least in the rank of a "researcher" (Instructor).
B) Comprising at least three research groups as a condition for the establishment of a "research unit".
C) Comprising at least three research units for the establishment of a "research institute".
D) Consistency of the objectives, terms of reference and activities of that center with the essential needs of the country
E) Having at discretion laboratory facilities, equipments, and instruments and library for conducting the intended research.

F) Having financial resources for meeting the expenses of the center.

4. Real estate services

The Organization for the Registration of Deeds and Estates, affiliated to the Judiciary is responsible for issuing licenses for real estate brokering. This organization also supervises the activities of real estate brokers. At present, only Iranian natural persons are entitled to brokering license.

5. Other business services

Conditions and requirements	Licensing body	Type of Service
Not specified.	Ministry of Culture and Islamic Guidance	Advertising services
Journals must be published under the responsibility of Iranian natural or legal persons and with the Iranian capital. Natural persons applying for such licenses must meet the following conditions: A) Iranian citizenship. B) A minimum age of 25 years. C) Lack of insanity and fraudulent and deliberate bankruptcy. D) not having reputation for moral corruption and record of criminal convictions. E) Possessing academic credentials at the level of a Bachelor's degree. With respect to legal persons, only the managing directors must meet these conditions.	Ministry of Culture and Islamic Guidance	Printing and publishing
Not specified.	Ministry of Culture and Islamic Guidance	Convention services
Licenses are issued to persons subject to environmental considerations, public welfare, security and health.	Organization for Environment Protection	Services incidental to hunting
Necessary licenses are issued by the relevant authorities in line with environmental considerations.	Organization of Forestry and Rangelands and Organization for Environment Protection	Services incidental to forestry
Issuance of fishing permit for foreign fishers is subject to the existence of a bilateral agreement between I.R. Iran and their respective countries. Iranian and foreign fishers must obtain fishing permit from the Organization of Environment Protection.	Iran Fishing Company and Organization for Environment Protection	Services incidental to fishing

B. Communication Services

1. Postal services

All duties and powers of the Ministry of Communication and Information Technology with regard to the implementation of the comprehensive policy governing the planning, establishment, supply, expansion and operation of postal units have been delegated to the I.R. Iran Post Company. The Post Company is responsible for making decisions on how to attract the participation of the private sector in conducting some of the legal functions of the company, examination and approval of postal services fees and rates table, making decisions over the use of domestic and foreign consulting engineers and experts, consideration and referral to arbitration of disputes and differences and formulating policies governing relations with global and regional postal organizations and unions.

2. Telecommunication services

Conditions and requirements	Licensing body	Type of service
A) Obtaining unconditional approval. B) Presenting the frequency design of the paging network including: the specifications of all radio transmitters within the topography of the paging network, the geographic map of areas covered by fixed transmitters, the specifications of radio links designed for the connection of fixed transmitters, technical specifications of a model paging receiver. C) Application for the operating license of the station. D) Obligation to pay the utilization fee.	Ministry of Communication and Information Technology (Organization for Formulation of Radio Communication and Regulations)	Paging service
A) Iranian citizenship. B) Lack of criminal convictions leading to denial of social rights. C) Holding a Bachelor's degree as a minimum in an affiliated field.	Iran Telecommunication Company (Data Communication Company)	Data Transmission and Internet Services
A) Iranian citizenship. B) Legal eligibility, lack of criminal background, not having reputation for corruption and drug addiction. C) Having a minimum of 30	Iran Telecommunication Company	Value-added cell phone services

years of age and being married. D) Holding certificate of military service completion or exemption. E) Not being employed by a governmental organization and pubic institution. F) Holding a Bachelor's or a higher degree. G) Bank guarantee or property deeds in the amount of at least one hundred million Rials. H) An appropriate space for establishing an office with an area of at least 60 square meters. I) Having at least three fixed telephone lines, fax machine and necessary computer and office equipments.		
	Ministry of Communication and Information Technology (Organization for the Formulation of Radio Regulations and Communication)	Private and non-professional wireless communication services
	Ministry of Communication and Information Technology (Iran Space Organization)	Tele-measurement services

3. Audiovisual services

Ministry of Culture and Islamic Guidance is responsible for issuing licenses for the establishment and disbandment of audiovisual service suppliers operating in the field of production, distribution, export and import of audiovisual works such as motion pictures and video films, and supervising their activities.

C) Construction and Related Engineering Services

Ministry of Housing and Urban Planning is responsible for formulating technical principles and rules governing designing, calculation and implementation as well as operation and maintenance of buildings, supervision over engineering and technical professions and jobs in the construction and urban planning sector, oversight over the enforcement of urban planning regulations and disciplines and national building codes and issuing working license for engineers, technicians and practiced architects. In order to be able to supply construction engineering services, all foreign legal and natural persons are required to obtain temporary professional qualification certificate from this ministry.

D) Distribution Services

Distribution services in the meaning of supplying imported or domestically-produced goods for reuse, with the distributor playing no role in their production or quality

change, are covered by the Guild System Act. Pursuant to this act, foreign natural persons holding valid work and residence permits in Iran, may obtain business license and operate in this sector. Registration of commercial firms and their operation in this field is permitted in Iran.
The following authorities supervise and guide service activities in this field:

1. Supreme Supervisory Board on Guilds
This Board is a high level body consisting of Minister of Commerce, Minister of the Interior, Minister of Economic Affairs and Finance, Minister of Industries and Mines, Minister of Labour, Minister of Jihad-e-Agriculture and Presidential representatives, which is responsible for formulating policies on and coordinating and supervising the affairs of businesses.

2. Guild Associations
Guild Associations comprise business owners and are intended to safeguard their rights and interests. Among other duties, trade unions are responsible for issuing business licenses and commenting on the amount of taxable income.

3. Supervisory Commission
This commission supervises guild associations and issues policies set by the Supreme Supervisory Board including setting the number of required business units in each city.

Conditions and requirements	**Licensing body**	**Type of service**
According to the Guild System Act natural and legal persons are allowed to engage in wholesale trade services and retailing services activities. Business license is granted on a priority basis to applicants upon their qualification. Distribution of medicine and similar services require licenses from relevant authorities.	Guild Associations	Wholesale trade services
Same as above.	Guild Associations	Retailing services

E. Environmental Services
Ministry of Road and Transportation is responsible for providing services incidental to containing sea water pollution, dredging, and cleaning up oil contaminants and other wastes remaining at harbours and anchorages. This Ministry is allowed to delegate these functions to the private sector.

F- Financial Services

1. Banking

Conditions and requirements	**Licensing body**	**Type of service**
1. Good financial and professional reputation. 2. Lack of criminal convictions background, 3. Capacity to furnish and complement bank capital in the event of insufficient fund or loss; if the applicant is a legal person the following applies: 1. A copy of its statute, balance sheet and profit-and-loss account over the past three years. 2. A declaration including the names of the board members and major share-holders.	Central Bank of the Islamic Republic of Iran	Banking services
1. Iranian citizenship. 2. Lack of criminal convictions background. 3. Good reputation. 4. Having a minimum age of 25 years. 5. A minimum of three years of practical training under one or more agents. 6. Passing a theoretical and a professional exam in accordance with the bylaw; In addition to the above conditions, in case the applicant is a legal person, the following also applies: A: Registration of the institute in Iran. B: Approval of the management board of the Stock Exchange.	Management Board of the Stock Exchange Market	Stock Exchange Agents

2- Insurance

All insurance services and related activities are guided, supervised and regulated by the Supreme Insurance Council and the Central Insurance Organization of Iran. This organization is responsible for formulating bylaws and regulations governing compulsory reinsurance, transfer of reinsurances to domestic and foreign institutes, regulating insurance agency and brokering services and prevention of predatory and unfair business practices.

Establishment of direct insurance and reinsurance companies as well as insurance agencies is subject to no restrictions in free trade and industrial zones. On the mainland, such companies may operate in the form of stock or cooperative firms in partnership with Iranian natural or legal shareholders. Insurance companies may take the form of partnerships with foreign shareholders in free zones. The Central Insurance Organization of Iran oversees the financial accounts and invoices as well as the net value of the assets of such companies.

The insurance of movable and immovable properties existing in Iran, the insurance of Iranian citizens residing in Iran, the insurance of foreign workers and employees during the period of their sojourn in Iran excluding their life and private accidents insurance, the insurance relating to transport of imported goods the purchase contract of which has been signed or for which the letter of credit has been opened in Iran, is exclusively handled by the insurance institutes registered in Iran.

Conditions and requirements	**Licensing body**	**Type of service**
1. Technical and financial qualification of the institute and its managers. 2. Registration of the institute pursuant to the Act concerning Registration of Insurance Companies. 3. Examination of necessary documentation for the issuance of license (including the statute, name of partners, their nationality and the size of their shares. The Supreme Council announces its decision regarding the issuance or non-issuance within sixty days). The minimum capital required for the establishment of insurance companies is 80 billion Rials. This figure can be as low as 15 billion Rials with respect to companies being established in free zones.	Central Insurance Company of Iran and the Supreme Council of Insurance	A. life insurance services
Same as above.	Central Insurance Company of Iran and the Supreme Council of Insurance	B. Non-life insurance services
Same as category A. The minimum capital required for the establishment of mixed insurance companies is 140 billion Rials.	Central Insurance Company of Iran and the Supreme Council of Insurance	C. Mixed Insurance (Life and non-life)
Same as category A. The minimum capital required for the establishment of reinsurance companies is 200 billion Rials. This figure can be as low as 85 billion Rials with respect to similar companies being established in free trade and industrial zones.	Central Insurance Company of Iran and the Supreme Council of Insurance	D. Reinsurance services

1. Previous experience in insurance services activities. 2. Successfully completing the exam procedure of the Central Insurance Company of Iran. 3. Meeting age, technical and ethical requirements. 4. Submission of required guarantees to insurance companies and the Central Insurance Company of Iran. 5. Approval of the statute of insurance brokering companies by the Central Insurance Company of Iran. 6. The minimum capital required for the establishment of representative offices and agencies in free trade and industrial zones is 300 million Rials.	Central Insurance Company of Iran	E. Insurance brokering services

G. Tourism Services

Currently Iranian tourists may travel abroad and foreign tourists may travel to Iran through travel agencies or independently. The commercial presence of foreigners in Iran's tourism industry may take place through investment in hotels and other tourism facilities, which is generally governed by the Act on the Promotion and Protection of Foreign Investment in Iran. Foreign investment in hotels is also permitted without any especial restrictions in free trade and industrial zones. The following bodies supervise and regulate tourism services activities in Iran:

1. Supreme Council on Domestic and International Tourism

This council is responsible for formulating main policies and guidelines regarding domestic and international tourism.

This council also coordinates efforts concerning the attraction of foreign investment and the establishment of tourism facilities.

2. Organization of Cultural Heritage and Tourism

This organization is responsible for the establishment, development and operation of tourism facilities in Iran, planning for the repair or extension of tourism facilities through direct investment or providing loans to the private sector or entering into partnership with the private sector, issuing licenses and supervising the establishment and administration of hotels and restaurants and travel agencies and qualification and rating of these units.

Conditions and requirements	Licensing body	Type of service
1. Meeting the concerned requirements of executive organizations such as the municipality and Organization of Environmental Protection which have been delegated to the Organization of Cultural Heritage and Tourism.	Organization of Cultural Heritage and Tourism	Hotels and Restaurants (Inside hotels)

2. Compliance of newly-established tourism facilities with the approved plans of the organization. 3. Compliance with the requirement of their respective rating. 4. Operating license is issued for a duration of three years which is subject to extension upon compliance with the relevant requirements. 5. Issuance of operating license is contingent upon the evaluation by the organization with regard to regional need for the establishment of tourism facilities.		
1. In case the respective travel agency is engaged in both ticket sales and provision of tourism services, separate licenses need to be sought from both organizations. 2. Approval of the managing director and technical manager. 3. Submission of a guarantee in the amount of 10 million Rials. This figure is set once in every three years in accordance with the price index.	Organization of Cultural Heritage and Tourism and Civil Aviation Organization	Travel agencies

H. Cultural, Sporting and Recreational Services

Requirements and conditions	**Licensing body**	**Type of service**
Ministry of Culture and Islamic Guidance is responsible for issuing license for organizing live bands, theater, circus and cultural and recreational exhibitions to domestic and foreign natural and legal persons in accordance with the relevant regulations.	Ministry of Culture and Islamic Guidance	Entertainment services
Relevant bylaws and standards of the Organization of Physical Education.	Organization of Physical Education of I.R. Iran	Sporting services
Foreign journalists may enter the Islamic Republic of Iran upon obtaining a license from the Ministry of Foreign Affairs subject to the reciprocal treatment by their respective countries. Foreign journalists are exempted from work	Ministry of Culture and Islamic Guidance and Ministry of Foreign Affairs	News agency services

permit requirement.		
Upon issuance of license by the Ministry of Culture and Islamic Guidance, the Organization for Registration of Companies registers cultural centers. Founders and managing directors shall meet the following requirements: A: Iranian citizenship. B: Good reputation and lack of criminal background. C: Not being insane and lack of deliberate and fraudulent bankruptcy. D: A minimum 25 years of age and being married. E: Completion of mandatory military service or permanent exemption from it. F: Holding a Bachelor's degree or its equivalent. G: Academic and professional qualifications or sufficient and appropriate experience.	Ministry of Culture and Islamic Guidance	Cultural centers, institutes, houses and associations.

I. Transport Services

Conforming to Principle 44 of the constitution of the Islamic Republic of Iran, aviation, shipping and rail transport are subject to public ownership and control of the government. Following the liberalization and elimination of state monopolies in recent years, the Government has authorized the private sector to operate in these fields. Apart from road transport, the major part of the fleet of which belongs to the private sector, as what concerns air transport services transfer of the stocks of state aviation companies to the private sector and the establishment of airline companies has been mandated. As regards rail transport services, which is entirely controlled by the Rail Transport Company of the I.R. Iran, it is authorized pursuant to the third five-year Development Plan to transfer its functions with respect to passenger and freight transport and other activities associated with rail transport to natural and legal persons in the private sector and if required, establish domestic joint companies for this purpose.

The following authorities are in charge of activities relating to the internal and international transport services in Iran:

1. Supreme Council for Transport Coordination

This Council is responsible for adopting necessary policies to encourage investment by the private sector in transport activities, formulating regulations governing transport services and adopting procedures relating to the issuance of licenses for domestic transport agencies, as well as the establishment of branches and representative offices of the foreign transport companies. The council is also entrusted with the responsibility to consider and propose action on the accession of Iran to regional transport arrangements as well as the signing of bilateral and multilateral transport agreements with foreign governments and institutes.

2. Ministry of Road and Transportation
Apart from the implementation of comprehensive and coordinated transport policies in Iran, the Ministry of Transport is also responsible for issuing necessary recommendations to relevant organizations regarding pricing policies for transport services and services incidental to that, formulating necessary procedures and criteria governing the administration and development of transport institutes in collaboration with the related organizations as well as issuing licenses for the establishment of transport institutes.

Conditions and requirements	**Licensing body**	**Type of service**
Only maritime transport agent companies, including representative shipping companies, are allowed to operate in Iran. The license is issued for duration of four years. Managing directors and members of the managing boards of such companies ought to be Iranian citizens. Such companies are required to submit guarantees to the Ports and Shipping Organization. It is obligatory for such companies to have in possession certain equipment and facilities as provided by the Transport Agent Institutes Act. The quantity and quality of the equipment as well as the staff need to be verified by the Ports and Shipping Organization.	Ports and Shipping Organization	Maritime transport services
Supply of such services (including loading and unloading, pushing and towing and other cargo-handling services, supporting fuelling, containerizing, rescue and diving operations, ship inspection and cargo fastening) are governed by the law applicable to Paragraph A. Each transport agent company may operate in three affiliated fields of transport services.	Ports and Shipping Organization	Services auxiliary to maritime transport services.
Issuance of licenses or permits for air transport operation by Iranian airline companies as well as air transport operations relating to passenger and freight transport lie exclusively within the hands of the Islamic Republic of Iran Airline Company. Only under circumstances where I.R. Iran Airline	Civil Aviation Organization	Air transport services (passenger and freight transport)

Company fails to provide air transport services, may the Civil Aviation Organization authorize other air transport companies to operate in these fields.		
Such services including airport services, maintenance and repair of aircrafts, services auxiliary to passengers, cargo, and handling and catering inspection of aircrafts and their sites may be delegated to the private sector. No special regulations are provided for such activities.	Civil Aviation Organization	Supporting services for air transport
Supply of passenger transportation services is contingent upon the establishment of transportation companies, pursuant to the Act Regarding the Establishment of Passenger Transportation Companies. Such institutes shall meet necessary conditions regarding the equipment and facilities of terminals, conditions of buses and management requirements. Such conditions ought to be verified by the relevant authorities. Licenses are issued for a duration of four years and are subject to renewal.	Organization of Road Transport and Maintenance (affiliated with the Ministry of Transport)	Road transport services (passenger transportation)
Freight transportation institutes are established in accordance with the Bylaw Regarding the Classification of Road Transport Institutes and Companies. Transport companies are classified in line with these standards and are issued the related licenses. Their annual admissible cargo is set in accordance with their existing capacities.	Ministry of Transport	Freight transportation services
Warehouses must be established in accordance with the provisions of the Act Regarding the Establishment and Administration of Public Warehouses in the form of a stock company and be registered in Iran. The minimum capital required for the establishment of a public warehouse is 100 million Rials in Tehran and 50 million Rials in other parts of the country. Foreign natural persons and institutes whose bulk of shares belongs to foreign nationals may not own more than 40	Ministry of Commerce (the Supervisory Board of Public Warehouses)	Storage and warehouse services

percent of the shares of public warehouses.		
Establishment of private rail road transport companies is required	I.R. Iran Rail Road Company	Rail transport services
Issuance of license is required for the establishment of multi-modal international transport companies.	Organization of Road Transport and Maintenance (affiliated to the Ministry of Transport)	Multi-modal international transport services.

ANNEX 8

The lists of trade agreements and preferences exchanged between the I. R. Iran and other countries

The list of foreign trade agreements

The list of bilateral commercial agreements between the I. R. Iran and other countries

Algeria
Armenia
Bahrain
Belarus
Bosnia and Herzegovina
China
Croatia
Djibouti
Ethiopia
Ghana
Hungary
India
Jordan
Kuwait
Lebanon
Morocco
New Zealand
Nigeria
Oman
Poland
Qatar
Russia
Slovakia
South Africa
Syria
Thailand
The Czech Republic
The Philippines
Tunisia
Turkey
Uganda
Vietnam
Yemen

The Preferential Trade Agreement between the Islamic Republic of Iran and the Islamic Republic of Pakistan was ratified by the Parliament in the Iranian year 1385 (2006), and is now enforceable.