

In the name of God

A Research and Appraisal of :

١. The Roots, Foundation and Growth of ITO, GATT and WTO

٢. Forecasting of the Evolutions

in the international trade and
international monetary system

٣. Macro-Survey of Iran's Dilemma to Join

WTO and the strategies
proposed for Iran's Economy

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1. What is GATT ?

GATT is the acronym for General Agreement on Tariffs and Trade containing the agreement which has regulated the exchange of tariff preferences between the countries controlling and regulating more than 80% of the world trade.

The Charter of GATT (the main agreement) contains 38 articles and a number of appendices listing thousands items of goods, the custom tariffs of which have been reduced by the member countries.

The main agreement consists of four chapters, the Chapter Four entitled *Trade and Development* talks about establishment of the types of the relations with the developing countries. The agreement obligates the member countries (now 124) to expand multilateral trading ties with minimum barriers and to revoke commercial concessions.

GATT in its last 1994, gathering namely Uruguay Round, resolved that the title 'GATT' should be replaced by WTO, the acronym form of 'World Trade Organization'. The new organization began its functions, practically, as from the beginning of 1995 and replaced the General Agreement on Tariffs and Trade (GATT) and all the agreements that had already been concluded by GATT, were transferred to this organization. The main difference between GATT and WTO is the inclusion of the arbitration and settlement of disputes forum in the new organization and the extent of its enforcement mechanism.

۶. History and Motivation of GATT

The international economic relations received extensive damages during the World War I and II. The then existing vast economic disorders such as imbalance of payments, inflation, the immense devaluation of money in many countries, the irregularities existed in the commercial transactions and the extensive unemployment, were the causes for the European governments and the United States of America to adopt a protective policy to back up their domestic industries and to take retaliative actions against their commercial partners.

Efforts, in this respect, were made to attain a normal atmosphere which included, organizing world trade on a free market basis and accepting fold in the world wide trades and transactions. This method however, due to the fact that it had impact on the national money, beyond what it was needed, was not successful and dissolved due to the 1930's stagnation.

With the launch of the World War II and extending restrictions towards the growth of the world trade, two specific restrictions were made:

- a. **The First Restriction:** The countries faced a severe negative balance of payment. Therefore they adopted a policy by which they reduced values of their national currencies resulting an increase in the volume of the export and decrease in the import of goods and improvement in their balance of payments. Since this policy was adopted by all countries, it didn't have much effect on the international monetary relations.

- b. The Second Restriction:** By imposing high tariffs, imports were restricted. By this method foreign currencies were saved and gradually led to the generation of resources and elimination of payment deficits.

This policy was practiced by other countries and the effect was also subliminal, nevertheless, it caused some irregularities and lack of confidence in the world trade transactions. Consequently, lack of a discipline in the world trade sphere resulted in international efforts to overcome such dilemma. In response to the first restriction, a conference was held in ۱۹۴۴ in Bretton Woods proposed by the United States and an agreement was drawn up for the establishment of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). In the conference, while the United States opposed putting the currency called BANCUR into circulation, obligated itself to stabilize the value of dollar by issuing an official declaration, vis-a-vis gold and to deliver an ounce of gold for every ۳۵ dollars. The US dollar currency, as a result of this action, was adopted a currency to go round the world and to serve as a means for international payments. All member countries participating in the conference were obliged to fix the value of their international currencies vis-a-vis gold. By the said action, a proportional stabilization in the international monetary system and transactions came into existence at that time.

The U.S. motive in response to the second restriction, during such period of time, could be realized for having access to the new markets and domination over the world trade. The United States was almost away from the impacts of the World War II, therefore it benefited from a bonanza in its economy and proportionate saturation of its domestic market. The United States tried, by forming an international trade institution, to bring the world economy into that institution. Such a concept resulted

in a series of subsequent conferences whose tasks were to eliminate the trade barriers and restrictions existed in the international trade and to establish the International Trade Organization (ITO) in 1927 in Geneva and in 1933 in London, but due to disengagement of the other countries participated in the conferences no result was reached. Later in ECOSOC of the United Nations Organization, a similar concept was promoted and a committee composed of the representatives of the United States, Canada, England, and Benelux (having in their possessions about 70% of the world trade) the draft of the charter of the world trade organization was drawn up. The aforementioned, which comprised of 24 articles signed by 23 countries served to be in fact the basis for GATT.

3. Trend of the Economic Concepts Evolution and its Impact on Gatt.

The trend of the economic concepts in the new era (industrial era) shows that those concepts were formed in accordance with the conditions governing the countries where they originally came from. As an example the classic economists such as Adam Smith and Ricardo believed that an invisible order exists in the industrial new economy which leads the economy towards a better allocation of resources which will drag the economy to an overall equilibrium status.

Simultaneously, by the growth and expansion of the trade among the countries and competition between them in the international sphere, the unwanted circumstances such as war, having had undesirable effects on the economy in every country, brought the exceptions to the overall equilibrium which compelled the governments to intervene. Under such circumstances, every country had to act knowingly on the economic adjustments and the intervened and planned economy has on the economy of market came into existence on the other side of the economic concepts.

In compliance with these changes in the economic system, the monetary and foreign currencies policies confronted basic changes, among others, the principle of a gold standard dominated as a doubtless principle for centuries was replaced by the gold coverage-certain percentage-for the entire volume of money. Such decisions, due to the reciprocal relations existed between countries, required reciprocal obligations of all of the countries to respect and to comply themselves with such obligations. Though by passing time and being inefficient subsequently, required constant revisions in every case, such counter obligations of the countries worked out to become the basis for conclusion of the General Agreement on tariffs and trade.

4. The Goals of GATT

Pursuant to article 1 of the agreement, the goals of GATT are as follows:

- 1- Constant economic development and raise of living indices of the contracting countries.
- 2- Establishment of relationships between international trade and the growth of socio-economy.
- 3- Expansion of production, creation of full employment, and increase of actual revenue and demands.

5. GATT Principles

GATT documents contain various principles and in fact its 24 articles reflect them all. In this study, efforts have been made to review the general principles of GATT.

1- The principle of the Most-Favoured-Nation Treatment (no Prejudice).

This principle indicates that international trade should be carried out without any prejudice. This means any concession granted by a contracting party to another one should be extended to all other contracting parties within the GATT with no condition whatsoever. The point worthy to note is that in spite of this principle accepted by the contracting parties of GATT exceptions to this principle, such as regional commercial union and trade and trade free zones, have been accepted as well.

2- The principle of protection by applying tariffs and necessity of reducing customs tariffs.

In accordance with this principle, the protections to the domestic productions should be given by way of custom tariffs other than quantitative restrictions. Because GATT indeed is an agreement which deals with tariffs, i.e. to reduce custom duties and levies to the extent it is possible or limits it. Grants of Tariff concessions, normally will be made in conferences and based on the principle of reciprocal concessions and upon confirmed by other contracting parties, the reduced tariffs shall be extended to other contracting parties in GATT.

In accordance with Article II of the Agreement, no contracting party should impose other duties and levies on the goods made subject of the agreements to compensate the privileges granted already. No contracting party should also take the advantages of other non financial commercial in order to eliminate the effects of the privileges granted. For the realization of the principle of reducing custom

tariffs, there have been eight rounds of negotiations participated by the contracting parties, the last one called the Uruguay Round.

- ३- The principle of the Elimination of Quantitative Restrictions, In accordance with Article XI of the Agreement, quantitative restrictions such as quota and import or export licences are not allowed. The contracting parties are obliged not to impose any restrictions on import from or export to any contracting party in GATT. In accordance with articles XII, XIII, XIV and XVII there are exceptions to this principle with respect to particular goods such as agricultural products and fisheries and when there are problems in the balance of payments of a country, quantitative restrictions can be utilized subject to consent of the WTO.

The point to be noted is that even in such instances, the restrictions should not go beyond the balance of payments, 'problem'. Further to that, upon elimination of the problem concerning the balance of payments, for the purpose of elimination of quantitative restrictions which is regarded as one of the basic principles of the GATT, tariffs should be reduced tremendously and deleted.

- ४- The principle of Waiving Obligations. In accordance with Article XXV of the Agreement, a contracting party under the economic or commercial circumstances, may request that its obligations for certain specific principles of the GATT be waived. Furthermore in accordance with article XIX of the Agreement in the event a contracting party realizes that there is no other choice other than to protect its industries vis-a-vis imports of goods the contracting party shall be free, pursuant to the principle of protection, to withdraw such obligations. In the recent years many contracting parties in the GATT have worried about ignoring

the GATT principle (Article XIX) by some contracting parties by resorting to the bilateral discriminating arrangements. Therefore, various types of protections were made subjects of the Uruguay discussions.

One of the contracting parties, at present, is the United States which with respect to the implementation of some of its agricultural policies has utilized the right of withdrawal from the obligations.

9. How does GATT Operate?

The Agreement pertinent to tariffs and trade regulations has been considered as a somehow, binding and obligatory agreement covering 124 countries and more than 80% of the volume of the world trade. The goal of this Agreement is to promote trade and transactions throughout the world by reducing trade restrictions such as commercial quotas and custom charges levied on import of goods.

GATT operates by three following methods:

- 1- Adoption of arrangements to facilitate commercial activities.
- 2- Negotiations and bargainings to eliminate trade and transaction barriers.

The Tokyo Round held during 1970s (1973-1979) reviewed the trade restrictions resulted from heavy tariffs. Those restrictions included the instances such as carrying out of discriminating policies against foreign manufactures, utilization of standards and legal regulations to prevent export of goods, to benefit from the means of subsidies to reduce price of the domestic products in comparisons with foreign similar goods and finally to apply special methods to prevent export of goods.

In the Uruguay Round which began in 1986 the main items for the discussions were; to delite, as mouch as possible, the barriers in the field of custom tariffs and other means preventing free trade and transactions. In this round of negotiations and for the first time, copyright and intellectual property right such as books, computer softwer programs, films and other international nothions were taken into consideration. Foreign investments, a substitutes for direct trade and transactions, in the sector of services and finally agricultural subsidies were among the main items placed before that Round.

In the recont round of negotiations it was agreed to hold a meeting in 1990 in Brussels by the interesting contracting parties, but due to the differences of opinion existed especially in giving agricultural subsidies, the negotiations faced, almost, a bread through.

In 1994, upon approval of inclusion of the agricultural sector and at the end of the negotiations the foundation of the World Trade Organization was announced and GATT., after five decades it was replaced by a premanet and wordwide organization with an enforcement mechanism and much stronger bindings.

- 3- Settlement of disputes arising from trade betwwn the contracting parties as a supreme court.

The main seat of GATT is in Geneva. This organization has 400 full time personnal. The president is Mr. Peter Satterland (?). The personnel supervise

trade agreements concluded between the contracting parties. Each of the trade blocks, such as European Community has been regarded by GATT as a single trade unit. The Ministers of Economy and Commerce of the contracting parties meet to promote and manage the affairs of GATT. In most cases, the negotiations will be carried out by certain representatives or ambassadors of the contracting parties.

۷. A Summary of the GATT's Rounds of Negotiation:

Since the inception of GATT, at the end of the World War II, there have been eight rounds of negotiations to make the regulations of the international trade easier. During that period, the number of the contracting parties have raised from ۲۳ to ۱۲۴. The first five rounds of negotiations were devoted, mainly, to review and finalize the regulations for custom tariffs. The trade quotas matter was placed among the subjects banned right from the beginning.

The Kennedy Round, during ۱۹۶۰s, was mainly devoted to the goods stored by the manufacturers in the consuming countries. In that Round certain regulations were adopted preventing export of goods to the consuming countries at the prices lower than the production costs which was intended to break down the production capabilities of such countries.

۸. I.R. Iran and the GATT

Before the victory of the Islamic Revolution, though there were contradictions between the then current principles and regulations of Iran and GATT, due to the significance of the mentioned organization, throughout the world, an observer was sent by the government to attend the GATT conferences. The countries attended the

conferences were used to paid S.F ۱۵۰۰. annually for receiving GATT publications and documents and obtained permission to attend the meetings. However in ۱۹۹۳ the GATT Council adopted new regulations for the observers, the most important of which, was adoption of a ۵ year limitation for such countries to become a contracting party of not. The observing countries, pursuant to such regulations were obliged to present to GATT their foreign trade policies and changes thereto as and when made.

۱- On ۳rd August ۱۹۹۱, the Economic Commission of the esteemed Council of Ministers assigned the Ministry of Commerce to work together with the representatives of the Budget and plan Organization, the Ministry of Economic Affairs and Finance and the Ministry of Foreign Affairs to review the matter Joining I.R. Iran to the GATT.

۲- On ۶th August ۱۹۹۲, The Ministry of Foreign Affairs due to the following

Matters, suggested to the Honourable President of the Islamic Republic of Iran the necessary actions to be taken towards becoming a contracting party in GATT.

- ever growing number of the contracting parties in GATT.
- the modification of the new orders for the world trade towards the expansion of multilateral trade cooperation.
- economic, monetary, financial and trade of Iran process of modification.
- benefitting from the principle of decreasing tariffs and the principle of non discrimination of GATT in future.
- to become a contracting party in GATT, due to the new considerations and application of more factors, it is going to be more and more complicated.

۳- The Ministry of Commerce in ۱۹۹۳ reviewed the report prepared already and submitted a new report to the esteemed Council of Ministers. The Council in its session held on ۱۵ June ۱۹۹۳ postponed determination of the I.R. of Iran to become a contracting party to sometime after the meetings of the Uruguay Round.

The comments of the Office of International Organization of the Iranian Ministry of Foreign Affairs revealed the followings:

- a. The extent of the knowledge of the Islamic Republic of Iran's Ministries and Organizations regarding GATT and its functions and the subject matters discussed in the Uruguay Round is extremely limited and insufficient.
- b. No quantitative review and research on the advantages and disadvantages for becoming a contracting party in GATT and its probable impacts on the industries, agriculture, services, import and export of goods, etc. have been made.

۹. Economic Development Strategies and their Applications for Iran.

Of the two strategies defined for the development, i.e. "import substitution" and "export development" our country has experienced the two strategies in certain occasions. From the economic sectors point of view, in the agricultural sector and in response to the principle of self sufficiency, attention has been drawn and practices have been made more towards the import substitution, the outcome of which has been disclosed to a great extent. In the industrial sector, however, despite of the appropriate infrastructures that come into existence of the lost circles in the industrial productions, attention has been drawn to the export of the products. This strategy, due to the foregoing reasons, i.e. export of non oil items, except for very limited number

of foods, have attained no considerable success. It can be easily said that in this strategy, the agricultural sector has gone ahead of the industrial sector. Application of a combination of these two strategies, parallel to each other, suits the economy of Iran. However the major obstacles which lie towards success of either of the said two strategies can be categorized as follows:

- ۱- Lack of all of the infrastructures required.
- ۲- Inefficiency in the economy and lack of sufficient productivities due to the profound problems existing in the various economic sectors.
- ۳- Low level technology in its general term.

The above elements have resulted in improper allocation of the resources and consequently lacking a proportional skill in the manufacture of certain products when compared with the products of other countries.

۱۰. Iran's Commercial Structure:

At present, the accepted strategy for Iran embodies: export of non oil products, while efforts are being made to substitute the strategy of import by the former strategy. This means that we, on one hand, have to search for rich and brisk markets for the products manufactured in Iran for which GATT will provide reasonable conditions; But, on the other hand, export of industrial products requires a very strong structure to respond to the foreign market demands. The production structure in the meantime needs technological basis which Iran, in many instances, is dependent on import of such items. Therefore, in order to be able to determine what proportional advantages would we have for export of industrial items, we have to take into our consideration the entire conditions stipulated herein above.

For a system of economy, the preconditions to become a contracting party in GATT, as it can be viewed from an angle candidly, shall be completion of the aspects of the production of industrial goods and services. Being in such a situation, merely, we can say that technology has been merged into our economy and has been, as it has been said, institutionalized. This by itself shall be an entrance to the stage of attaining proportional economic privileges. Consequently, the precondition to Iran's becoming an contracting party in GATT, from the economy point of view, shall be completion of the production chain and increase in the efficiency of the production means, which would result the proportional privileges. I.R. Iran, only when passed the said steps can get together and negotiate to close deals with its trading parties and not as a country which needs only to buy.

Whereas our national economy is greatly dependent on oil revenue, this commodity should be regarded as a strategic instrument in our foreign trade. Thereafter, other items of goods for export which build up our foreign trade, with due regard to our present capability of production and the future horizon of the production, which will play a greater role in, and shall have proportionally a better position in the combination of our export, be taken into consideration.

۱۱. Trade Balance of the Country

Trade balance and economy in a country will show many indicators to be used for making decisions. The statistics in ۱۹۹۲ (۱۳۷۱) show that against import of goods for \$ ۵۰۴ per head export of goods of \$% ۵۱.

In ۱۹۸۸, export-import ratio per head was ۱۳% and reduced to ۱۰% in ۱۹۹۲. These two figures reveal the fact that Iran, from the economical point of view, was not and

still is not in a position to be among the nations who are already in the market and export their goods. This argument shall be proven correct when we gather that the proportional free foreign trade policy of the country, as adopted, has resulted mostly in mass import of goods during the first four years of the plan and an increase in our foreign debts. Export of goods, in spite of its considerable growth, has been much less than the import.

۱۲. Oil, and Exception to the Principle of Trade Development:

Crude oil, is the most important item of export from Iran which generates a major portion of our national revenue and plays a significant role in Iran's foreign trade transactions. In an era, GATT sponsors the world free trade movement, crude oil, in which countries such as Iran enjoy a proportional preference, perhaps an absolute preference, has been excluded from GATT tariffs and by imposing heavy tariffs on imports of crude oil-almost ۳۰۰ percent-by the industrialized countries, they receive the highest amount of tax, the revenue of which is being spent for research to explore other substances of fuel to replace oil. Should oil be included in the list of the items sponsored by the GATT, the present fake prices of oil will be replaced by real ones and the oil revenue received by the exporting countries (i.e. the developing countries) shall become real ones as well. A country like Iran to become a contracting party in the GATT needs research in a short period of time, only if the so-called precondition is taken into consideration.

۱۳. Intellectual Ownership

Until recently, registration of inventions, scientific achievements and obtaining licences in industries, writings and arts (copyright right) were among common practices. Nowadays, due to the expansion of science and technology,

registration of the achievements for scholars has been extended to other activities as well. Therefore, the expressions of "licencing right" or (compilation right) have been replaced by "intellectual ownership" or "interlectual assets". The interlectual ownership includes ass the achievements of scholars and ducated people whose explorations and findings, in every aspect, has resulted in a new discovery or invention. The significance of these activities have been expanded to the criteria by which the quality and quantity of the abilities in the countries will be measured. The figures received by such countries as licence fees, throughout the world by 1991 serve to confirm this fact. A review of these figures reveals that South Korea and Taiwn, being developing countries, succeeded to join the group of the countries that have ever been in the fields of researching science and technology. It is true that such countries have not reached the stage of the development to bother the inudstrial countries to worry, because 0.7 percent of the registrations have been made in their names.

Registration of the inventions and licencing rights in the agricultural sector commenced during 1960, the period within which the agro-industrsy was taken up by the develped capitalist countries. At that time, a new horizon in agricultural development by way of agronomy came into existance. The agricultural sector allocated a portion of its development share to laboratories and the researchers working outside of farms and farm lands. Agriculture madeits way and agronomy moved from the agricultural fields to research laboratories. A great portion of the research activeities were devoted to cultivation and to the items resistable agaist pests and yeilding maximum return. Thereafter, since research was no longer needed in the natural conditions and climates, the resarchers collected various samplesof plantations and seeds from all over the world. The United States of Amerca took tens

of agricultural samples and seeds producing much yields and resistabel against diseases and pests from all over the world, Cauliflower, onion, peas and spinach seds were taken from Iran, Then it seems quite normal when the United States and other developed countries register in their own names, justly or unjustly, the results under intellectual ownership and monopolize the ownership for themselves. The firs seres of the actions in this respect were the ratification of the regulations by which the ownership and royaltiex of such achievement were reserved for such countries. These proceedings came into existence in ۱۹۷۰s, and received maximum considerations in the Uruguay Round. To benefit from such achievements and their improvements by other countries, shall be merely subject to the consent and payment of royalties to the owners thereto.

۱۴. GATT's Future and Forecast of other Countries' Reactions

A. By considering the past trend of the world trade and the reactions of the countries facing the resoulution adopted, in contrast to their interests as it was forecast in GATT seminar at the University of Tehran(۱) in the coming years utilization of the lever for "weakening of national currency", parallel to the expansion of GATT requirements shall be used again by such countries. The United States has just began to resort such a policy. In this case, the goals of the organizations such as the World Trade Organization whose aims are to develop the world trade and the institutions such as IMF will become less imprssive and will make them to revise their policies. As an example, IMF, whose functions were to stablize the world monetary system and member countries money conversion fates, had to drop the policy in the subsequent decades. Should WTO be strengthened, it is predicted that another feature of the new protective policy, i.e., resorting to the policy of reducing the value of national currency of the

developed countries will become active. This approach, will itself contradict the goal of the establishment of WTO and shall practically stand against the slogan of "free trade" which shall dominate the national interests of such countries over the concept and shall make the goals and policies of the organization ineffective. As a consequence of that, IMF shall adopt the policy to stabilize conversion rates of currencies with a specific and limited fluctuation range, similar to what happened fifty years ago, in order to reduce the effects of the present vast shocks of dollar and likely other currencies in the market. In case the IMF be unsuccessful in the implementation of the stabilization of the conversion rates of the currencies, it will have to put into circulation a new "international currency" to replace the dollar and serve as a mean for international trade exchanges and international assets reserve enjoying a long standing stabilization. The extreme fluctuations of dollar which, on one hand, changes the value of the reserves of the countries, and on the other hand, causes standstill in the international transactions and trades which will tolerate it for some items or times.

Therefore, the two strategic actions for the countries and IMF are as follows:

first : To return to fix rate of currencies obliging the IMF to have the member countries fix the rate of their currencies with a certain range of fluctuations.

Second : In case the first strategy be impractical, the only remaining choice shall be to establish and put into circulation a new international currency unit to replace the dollar in the international transactions in whole or in part.

B. The reaction of certain countries against the restrictions established by GATT, as appeared in the World Bank's recent report⁽¹⁾ concerning its first series of studies prepared in 1976 thousand pages about the official obligations of the countries in the Uruguay Round reveals the conflicts in the statements and actions

and untruthfulness of some countries specially the super powers. prof. AllenWinthers, Chief of International Trade Section of the World Bank declared that the studies divulged "There are many differences existing between the contents of the Uruguay Round and the realities".

Though in the Uruguay Round, (agriculture), for the first time, subject of the multilateral trade regulations, was drawn up, the world Bank had declared that it shall not lead to a brisk market. That is because the governments, by engaging themselves in a certain type of legal falsification, have limited their obligations for free trade. They have agreed that the entire nontariff items creating obstacles be turned to tariff one. The tariffs which are limited to a certain ceiling and can not be raised higher have been suggested to be decreased within some years accordingly. Nevertheless this plan commenced from the base year ١٩٨٦-٨٨ during which the support from the world wide trade of agricultural products were, in general, very broad, in some cases ٣ to ٣ times of the average ceilings which in most cases embodied more protections for the relieved barriers found better ways of escaping from. The differences for the import of what is ٧٠ percent and for import of meat by USA is more than ١٠٠ percent.

Japan was one of the rare countries which determined most of its tariff ceilings below the level of barriers but the barriers were previously so great in numbers which after the ban will be lifted. protection levels in Japan shall be very high.

Though the governments shall decrease the tariff, faster than required by the agreement at the Uruguay Round, the official setting free plan will let the levels of

the maximum authorized protection for numerous products in many countries in the year ۲۰۰۰ be higher than the year ۱۹۸۶-۸۸.

۱۵. The Effects of Iran Joining WTO and the Proposals Thereto:

The effects of Iran joining WTO from an economical point of view shall be so vast that the research of which shall not fall within the limits of the knowledge of one particular individual but shall require a scientific institution to review the details of the subject matter and determine, with much care, its advantages and disadvantages. Joining GATT by Iran from various points of view of legal, commercial, occupation, investment, export, import, political, ..., require professional researches. It is a question whether it would be in the benefit of our country's economy and political advantage to be away from an international organization having in its possession over ۸۰٪ of the world trade or not? It seems that at the present world economic status, the effect of the international economic organization on our country is undeniable. But the degree of their effects greatly depend on the: production structure, national determination, and expansion of exports (non oil in particular), Commercial effective system and trade policy, country's economic proportional advantages, economic management, laws and regulation for investments, and certain other factors. The agricultural products, reconsideration of system of ownership, applying the science and technology, for this purpose, all shall be of the pre-requirements. Similarly, the industrial sector needs further studies of the present status of the country and the competitive conditions. Oil, as a fundamental goods, has its own peculiar and significant place in the framework of the negotiations between the parties. For our country, unlike the others, where have not been presented by the sectors approximate quantitative assessments for being or not being a contracting

party in WTO, any impulsive and lacking scientific calculations may have not placed firm basis for determination before the government.

Therefore, see the following clear-cut proposals:

١. The crucial point shall be the economic calculations of the cost of production and the proportional advantages, in connection with the future status conditions, in the items of products of the different economic sectors, on the basis of which and in the various imperative conditions, subject to observation of the environmental, work and manpower standards, respecting intellectual property rights, deletion of subsidy, liberation of services sector, What would be the cost of productions of steel, wheat and carpet in the said conditions? What would stop the world prices? Would the continuation of the activities be possible? And, finally, will there be any positive or negative effect on the trade balance and balance of payment? All the items, approximately, have much would add to or subtract from the foreign exchange resources? What would be the effect of those on employment? No information to indicate a calculation and adding up of the above items has as yet been provided by any of the several organizations. Therefore, taking any decision merely by following other countries footsteps which have become contracting parties in WTO and referring to such action as the justifications for becoming a contracting party in that organization, and without having a thorough scientific calculations and expertise, shall be unreliable and incomplete and shall be merely on personal emotions. Taking any decision blindly under these conditions shall be constructed as the method of try and error which shall cause great many losses for the country. Many of the developed, as well as the new industrialized countries have disclosed forecast for increase in their export of items. As an example; the German Chancellor announced that

export from Germany would be increased by ۵۰ billion marks, The British Prime Minister declared that the rate of production in England had been increased by ۴% and ۲۰۰,۰۰۰ additional jobs would be created in the subsequent decade, and the United States predicted that immediately upon implementation of the Uruguay Round the economy of the United States would benefit annually ۱۰۰ to ۲۰۰ billion dollars. In spite of all debates we have had about GATT, no such figures have so far been released by any organization or national committee assigned to make a study on Iran's becoming a contracting party in GATT. Therefore all of our economic entities must evaluate Iran's joining GATT and submit their commitments other than talking in general.

۲. At present, it seems that only by elapse of a period of ۱۰ years with the realization of strategic factors referred to in this report which includes passing through the necessary and reasonable protection stage and strengthening the line of production and economic infrastructure and then joining WTO can be realized as to be in the benefit of our national economy.
۳. To carry out the stipulations of paragraph ۲ above a group of qualified and obligated experts shall be needed to study, discuss and convince the other parties to the case to play the crucial role in this report.
۴. In a short term and as a long term strategy membership in and expansion of the activities within the framework of pacts and regional convictions not being in conflict with the goal of the WTO which have been exceptional by WTO can be used as a platform for growth of export and joining the international markets must be followed with full power.

۱۶. Conclusion and Multi Strategies:

it is worthy to say that most of the economic changes today's world will shape up in the political revolutions. GATT is an economical-political convention. It will be credulous if one believes that, as its title reads, it is just a trade institute and nothing else. This organization, through the trade transactions dominants over all aspects of economy, non economical policy makings such as the matters of free exchange of educational products and political bindings in the international grounds to protect the trend of the world trade.

GATT and WTO are manifestation of world-wide political thought emerged after the World War II along with the formation of IMF, World Bank and multinational corporations, dividing the world into framework of the new world conditions.... GATT in fact serves to reply the questions of the world-wide capitalistic economy.

Surplus and abundance of goods available in the domestic and world markets, the industrial countries are confronting, have caused the countries to snatch these markets for a greater share of their products and manage to get hold of other markets, the governments of which, by imposing tariffs and non tariffs policies, have protected their domestic products of being damaged. Such countries predict that in the future, by increase in the number of their competitors in the markets and joining the group of the industrial countries they can enter such markets if they are qualified for the two following justifications; better qualities of goods and lesser production costs. These are still the weapons in the hands of the (developed) countries. And in spite of the reduced pace with the newly industrialized countries, the developed countries are trying to keep the pace by increasing their speed and upon the market is

saturated with the products, to export technology in spite of the long distance existing between their technology and other countries.

Therefore, to protect the economic life, reduction of inflation and production cost, protection and enhancement of employment in the industrial countries shall be depended on lifting of the international trade barriers specially tariffs in the developing countries. In other words, have the gate opened then get it. If they do not win in this economical combat, extensive economic problems (and pursuant to that political and social ones) will be in a dead end. It will work as a firm and sufficient reason to prove such motive if we notice the problem of unemployment in the west and its aggravation by putting machines into operation replacing human labour.

The point to note is that the reconstruction and development of the industrial countries have taken place simultaneously with benefiting from the colonies and exploiting the third world. In the mass production situation and saturating the domestic industrial markets and emergence of the semi industrial and new industrialized countries (which were, in the past days markets for the industrialized countries, but due to cheap labour enjoyed by the industrialized countries they have gained sufficient skill and plentiful products) endeavour to snatch the traditional markets. Such situations have increased the competitions in the market. Development of the communication technology has provided the developing countries with the opportunities to benefit from the privileges of the researches. (The agitations created by imposing restrictions on utilization of the intellectual property right in the GATT, and registration fees for inventions and new science are due to this reason). Therefore, to the industrialized countries it is vital to adopt a new strategy, to reorganize the structure of the productions, trade and markets, In the context of the

sprading all over the matters of tariff, and customs barriers for agricultural products, contractual, auditing, banking and insurance services will encounter the aims, politics and strategies of the countries for development. It should be taken into consideration that the reorganization will come along with reducing the restrictions and tariffs of the goods exported to the poor and developing countries. The statistics, being released by their political authorities, showing the ample benefits earned by the industrialized countries, as a result of such reorganization, back up this argument.

While the countries such as the United States, Japan and the European countries speak about liberation of world trade as they implement the protective measures unknown to everybody. Their recommendations to the developing countries for liberation of their trades would mean opening their doors. I would call this phenomenon "New Protectionism". The United States did not revoke the Super Law ٣٠١. It considers the effect of other laws including WTO's regulations below the Super Law ٣٠١ and authorizes itself to disregard the principle of WTO and declares a trade war and carries it out. Japan, in APEC heads of States, in connection with setting up of trade free zones, declared on ١٥th November ١٩٩٤ that because of its domestic economy protective policies and control import, they would not accept the resolutions and tools which would result in liberation of trade, Japan, after ٢٢ years of resistance finally issued permit for import of apples from the United States. A study of the economy of Japan reveals that there exists a severe protective system. As a result of this, we realize that in the world today where there are conflicts between the national interests vis-a-vis the world economic interests there appears a dual slogan which clearly distinguishes between the spoken policies and what actually being carried out in particular by the superpowers and rich nations, We should not be regarded as an exceptional nation, To deal with such conflicts we must adopt the

policy to take care of our national interests. Are the countries such as Iran having trivial share in the world trade, competent to compromise with such double treatments, and to justify and fix it? The answer to the question is clear.

Our Country has not yet passed the industrial protection and mass production stages. The industrialized countries have at least spent ۵۰ years to pass these stages of growth. Our domestic market has not reached the stage of being saturated. Our industrial products for export are insignificant. This means that our domestic market absorbs the products. Our items for export are from the top, mainly, non refined oil (crude oil) follows by agricultural and traditional goods, and then industrial products. Under these conditions, the reorganization of world trade (whether Iran becomes or does not become a contracting party to) will have some important strategic messages as follows:

۱. By deleting subsidy in the contracting parties of WTO food security has become an important factor, but on the other hand the price of foodstuffs has been raised, therefore import of such items will be a heavy burden on the balance of payments. Taking into consideration the significance of the population and the proportional preference in agricultural chain products, we must approach the way to self sufficiency with a speed faster than the deletion of subsidies in the world. Our export of surplus items with due regard to the high prices of such items in the world will help, effectively, our balance of payments.
۲. Taking the economic structure of the important countries into consideration and their decision making power in this world organization and the structure of tariffs we must convert our preferential potentialities to practicalities, to export final

products instead of raw materials. By investment in oil and gas para industries, we will divert our position to export oil and petrachemical products. Otherwise we will face ۳۰٪ tax on crude oil (tariff) which has been considered as an exception to the WTO's tariffs by the industrialized counties depriving our major item of export from the privileges granted by WTO.

۳. By applying the strategy to substute import of goods by expansion of export and redution of import on various items.
۴. By expanding our industries, we should give priorities to the export of consumable industrial products.
۵. With the take off of agro-industries, we should boost the added value of the foodstuff products in favour of our national economy and increase our agricultural products rapidly.
۶. Taking into consideration the significance of our potentialities, inventions as well as the new products by copying and transfer of rechnical know-how before new restrictions have been imposed.

By adopting the other neede strategies we should endeavour to lift the bans already referred to in this study. Planning should be made to allow, within ۱۰ hyears, our presence in the world marker tor export of oil products, petrochemicals, semi industrial and industrial consumablee and traditional goods and agriculrutral products. Surplus products must be utilized mainly to prevent import of such items and fill the domestic market thereto. The future hoirzon of the competition will be decreasing of

the production cost and increasing quality of the goods which will place a very hard work in front of us. It will not be a wise thing to leave the products of the country, under the present conditions, to the waves of the world market. The industrial countries have reasonably protected their industries and have passed the aforementioned stages. The liberation of foreign trade, pretending that the domestic goods be liable to compete with foreign goods will help the exporting countries to export their goods to our country which will not be in the interests of our national economy. Why the enhancement of quality of the Iranian products should be realized by the policy set up for import of goods to Iran? What would be wrong with the flow of goods from Iran to the world market and to maintain the good quality of the goods and enhancement of the quality of goods by being present in the world markets? The policy of liberation of foreign trade in our country resulted more facilities for import of goods and heavy obligations and liabilities in foreign currencies for our country, the effects of which on our economy will be learnt within the coming decade, causing severe damages to the investors and reducing the motive of investments, reduction of foreign exchange resources for allocation in the new investments.

There is no doubt that the macro investments allocated during the past five years, owed to the leadership of the Chief of the executive power, the capability and ability of the government management in the respective sectors rather than to the mechanisms and the policies of allocation of the resources and/or activities of some of the authorities responsible for a macro economy.

To me, in our country, we should care about application of the following three points:

- a) Superficial imitation, by the so called learned and intellectual individuals, from unapplicable theories in the economy of the developing countries.
- b) Credulity in policy making.
- c) Traditional inclination, at the loss of the products and in favour of import and inaccurate culture, being used to and non conformity of personal interest with the trend of national interests.

To sum up the foregoing it should be noted that the above stipulations should not be constructed as putting a wall around the economy of Iran but to strengthen the structure of production here which means not only WTO can be utilized as a platform for the growth of the country but also other conventions, the same as have been for other economic powerful countries.

**With the greetings to those
who serve the God's satisfaction**