A Study of the Status of Multinational Corporations before and After the Islamic Revolution in Iran

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Abstract: Multinational corporations, as the main means to the free transfer of goods and services and factors of production, especially capital and technology, play an important and determining role in the globalization process. Iran is among the developing countries that are faced with a shortage of capital and appropriate technology, and therefore seek to attract foreign direct investment by activating multinational corporations. However, due to some constraints in the fields of national security, it has achieved limited success in attracting foreign investment. In this paper, an attempt has been made to examine the status of multinational corporations before and after the Islamic revolution in Iran.

Keywords: Corporations, Islamic Revolution, Multinational Corporations

INTRODUCTION

Multinational Corporations and the Reason for Their Presence in Iran

The license and order of foreign corporations registration had been enacted in 1931 by virtue of the Companies Registration Act, and according to Article 3 of the related Act “Any foreign corporation to act in commercial or economic or financial affairs via its branch or representative in Iran should have been recognized as legal by its home country and registered in Tehran Documents Registry Office¹.

Before the Revolution, Cyrus and Ferdowsi were the chain stores in Iran which had started working with domestic capital. The Bayer Farma Corporation, a German corporation, was established in 1960 as the first branch of a multinational pharmaceutical corporation in Iran with around 50 staff and became operational in 1962. Primary products including Aspirin pills, Dlvyran, Rfagan, tonic syrups and Kryzyval were produced under the license of Bayer of Germany.

After the victory of the Islamic Revolution in 1979, the management of multinational pharmaceutical corporations, including Bayer Farma in Iran, was
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granted to the governmentally-elected directors in 1981 and the corporation Pars Drug joint stock started to be supported by Iran’s National Industries Organization. The company entered the Tehran Stock Exchange in 1996 with a change of status from the joint stock to the public stock, and attracted the consent of its shareholders with a persistent and positive trend in stock prices.

After the victory of the Islamic Revolution and the enactment of the Constitution dated 1980, there remained unpleasant memories in people’s minds related to foreigners’ interference, particularly the multinational corporations, in Iran’s economic affairs and consequently looting and plundering of national assets. Therefore, in order to prevent foreigners from interfering in Article 81 of the Constitution, it was stipulated that “Granting the concession to foreigners to establish corporations and institutions in commercial, economic, agricultural, mining and services affairs is absolutely forbidden”. In addition, since based on the Islamic Revolution ideology, multinational corporations were colonial and administrated by Zionists, the operation license was not granted to them. However,”Hyper-Star received the establishment license in Iran in 2009. Proma was the second multinational corporation which received the operation license in Iran.

A look at the Future of Multinational Corporations in Iran and the Advantages and Disadvantages

Iran’s Oil Industry is in a very important and unrepeatable era. By taking the advantage of the market in coming years and providing favorable domestic conditions and promotion of industrial capabilities, we could use this advantage in establishing multinational corporations with countries which benefit from a proper level of knowledge and technology and also have a good economic relation with Iran.

The Importance of Technology in the Growth Process

Traditionally, in economy, the economic growth and competitive advantages hinged on the advantage of geographical condition, labor force, capital and perhaps training. However, these factors have lost their importance to a very great extent in the modern economy. Therefore, without creating value added by means of technology, natural resources will have little impact on economic growth. The growth process is not as dependent on the financial investment as the technology progress. With this view, the concept of growth finds a new structure and formulation in each country, and compared with the capital issue, the knowledge issue enjoys the same importance in the growth industry, and the national politicians should find a solution to deal with this issue.

The International Process of Knowledge

Unfortunately, the majority of policies in Iran have been based on the view that we have to create the technological knowledge by doing research and development in our own country. Therefore, undue concentration on domestic
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research and development, the expansion of the academic-based training structures, the creation of governmental research centers, etc. have been the clear consequences of this view.

Undoubtedly, multinational corporations play the most important role in the exchange of technology beyond a country's borders. Although other various types of cooperation such as risky technological cooperation, collaboration in research and development and the operation under the license also lead to the spread of technology, the limited level of cooperation, the difficulties in communication, the political obstacles and limitations and also the lack of a single goal between the two corporations are cases which, compared with the establishment of multinational corporations, limit the rate of technology transfer.

Training Cooperation

The lack of long-term planning in order to supply human resources, the retirement of experienced forces from the country's Oil Industry and the increasing expansion of projects' volume, has made Iran's Oil Industry face with a lack of experienced human force. This requires a large amount of expense and time to be compensated. Among the advantages of participating in international cooperation and establishing multinational corporations is the opportunity of using other members' potential for the quick exchange of knowledge through the employment of trained forces in common projects.

Observation and Duplication

The flow of knowledge and technology is one of the most important challenges in the transfer of technology. Certainly, having cooperation based on international standards will not only affect that unit directly but it will also have a significant effect on the institutions and corporations which are indirectly linked to it. The way in which the equipment, management system and payment are used is among the cases which can be duplicated in other parts of the economy. Countries such as Italy and Japan have witnessed a profound effect on their industry by the transfer of technology via duplication in different industries.

Political Problems

Political interactions play a very important role in shaping international cooperation. Political stability, active participation in the international stages, close diplomatic relations with countries which share common interests, etc. are some of the requirements which should be considered as infrastructure. The problems instigated by the U.S in the region has stamped insecurity, political instability, and a high risk of investment on the Middle East forefront. Therefore, an increasing effort is required to achieve these goals.

Legal Obstacles

Establishing a multinational corporation is a further step ahead in the privatization of industries. This is due to the fact that in this process, foreign
management has a practical access to the companies and institutions which have long been in the unconditional possession of the government. Unfortunately, due to whatever reason, we have not been able to develop these private corporations in our country yet, which could be expected to operate at this level, and the presence of the state corporations such as Iran's National Oil Corporation has lots of obstacles of both legal and executive natures.

The Absence of Multinational Corporations in Iran' Tourism Industry

If we take a look at the ads sections of newspapers, we could see the traces of lots of corporations a large number of which have never been registered as a tourism corporation. There are people behind these corporations who have used this chaotic market and taken action to hold unlicensed tours due to the authorities' neglect. Most of these unlicensed tours belong to Iran's neighboring countries which can be more easily communicated with.

The fact that most Iranian travel agencies indeed steer a unilateral path from Iran to the tourist destinations of neighboring countries, and that they do no reverse action implies that the tourist industry has achieved at best inconsequential success. It must be noted, of course, that financial issues and the lack of proper publicity have been the main reasons of this failure. This is where we will understand the importance of international multinational corporations in breathing a new spirit into this week industry. In this field, very large and multinational companies such as Dnata and Alshamel, have announced their readiness in the region to buy the smaller tourism offices due to their working and business relations. Leo Ftrl, the manager of one of these tow corporations, believes that perhaps this will be a kind of exploitation of smaller traveling agencies on the part of these corporations, but this opens up a new window into the tourism industry in the region. Based on these cases, the Iranian tourism managers are required to pay special attention to maintaining communications with multinational corporations and welcome holding similar exhibitions like Malaysia exhibition which is a Muslim country, and has an active presence there, so that they could introduce the Iranian's very high potentials to the other countries in such a way that both Iranian travelers face with new opportunities and Iran's tourist attractions prosper again and witness the flow of foreign tourists on their sides.

Multinational Corporations Are Examining New Deals with Iran

According to an article by Adam Carrido, of the international service of young journalists club, Washington Free Baken, at least 13 multinational companies have announced recently that they are making attempts to once again enter the Iran's market in the next few months. According to Brad Sherman, the American House Democrat from California and the member of the House Foreign Affairs Committee “Even thinking about dealing with Iran on the part of the great federal contractors in this temporary period reveals that we should be very alert and careful in the implementation of current sanctions”. 
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Recently, Wendy Sherman, the Secretary of the U.S Minister of Foreign Affairs and the U.S negotiator in the 5+1 talks with Iran, in a Q and A session in congress warned corporations not to rush to enter the Iranian market. He also said: “We should be hopeful that they will not go to Tehran and at the time when we are negotiating to achieve a comprehensive agreement that will show their restraint.

However, since the implementation of the temporary nuclear agreement the International trading committees have rushed to Iran. For example, Renault Corporation resumed exporting car apparatuses to Iran from January this year.

REFERENCES