



**Original Article**

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# **Investigating the Process and Variables Affecting Iran's Accession to WTO with an Emphasis on Post-JCPOA Era**

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**ABSTRACT:** World Trade Organization (WTO) is one of the salient international organizations emerged after World War II. This immense international body had to be founded due to the necessity of the postwar period. Today, an enormous amount of international trades, up to 95 percent, is running within this organization. This study is to examine the process and impacts of Iran's accession to the WTO. The research was conducted using library and analytical methods. Iran has already made numerous and unbreakable measures to become a member of this organization and has promoted as an observer member. In general, full membership entails the adoption of a détente policy, especially in the Middle East. Moreover, to expedite administrative measures in the WTO, it is necessary to provide the context for employing qualified and knowledgeable lawyers familiar with the WTO system and rules. Flowing in the world trades and acceding to this organization has undeniable advantages and creates great opportunities for the Iranian economy, but taking step in this arena without preparation will bring about irreparable damages to the national economy. In this regard, measures such as optimization, flexibility and transparency of the financial system, the gradual elimination of government subsidies, the reform of foreign exchange and trade policies, the modernization of industries to attract foreign investment, the active encouragement of exporters, and the facilitation of affairs related to the factors of production play a significant role in reinforcing the domestic industry against the threats of membership. Moreover, in completing these measures, the use of a strong economic diplomacy is efficient in removing obstacles to commercial development of Iran.

**KEYWORDS:** World Trade Organization, Iran's Membership Process, General Agreement on Tariffs and Trade, Post-JCPOA, Effects of Accession.

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## 1. INTRODUCTION

After the end of World War II and from the ashes of war, new players entered the international community. International organizations were the new members of the international community of which the World Trade Organization (WTO) is one of the most important organizations. Indeed, it came out of the heart of the General Agreement on Tariffs and Trade (GATT). Initially, the United States and its allies sought to establish an international trade organization. For this purpose, the Havana Charter was drafted in 1947-1948. However, it was never approved due to USA opposition and the high level of expected commitments from USA. Nevertheless, it created the ground for the emergence of the GATT and then the WTO in years later (Toye, 2012).

In 1947, the General Agreement on Tariffs and Trade was signed on October 30 by 23 countries that possessed a significant share of the trade. The agreement, called the GATT, was in fact a treaty, not an international organization with a formation specific to an agency (Rezaei, 2011: 21). It was, in fact, a collective effort by countries to eliminate trade barriers and increase the international trade. GATT was the only observer entity on the international trade to date, and covered many issues related to this kind of commerce (Jafar Mohammadi & Kiani, 2015: 27). In the introduction to this agreement, the main goals set include: improving living standards, guaranteeing full employment, a large and permanent volume of real income and effective demand, expanding the production and trading of goods and services, providing facilities for optimal use of world resources consistent with sustainable development, preserving the environment, and ensuring the share of developing countries, especially those with the least development, as for their economic development needs (GATT, 1986: 1). In order to achieve these goals, the agreement resorted to the following ways:

- Preventing the trade discrimination between contracting parties and international trade in which the member states commit to implement the same regulations on import and export;
- Prohibition of restrictions on exports and imports, i.e. member states are not allowed to implement restrictions such as quotas for domestic and foreign business relations;
- Reducing, stabilizing and limiting customs tariffs that lead to the abolition or reduction of customs duties - as the most important obstacle in global trade;
- Resolving disputes arising from trade relations that are realized through the negotiation, consultation, arbitration, and compromise (Shiroudi, 2004: 191).

For this reason, GATT has held eight rounds of talks so far. The eighth round, known as Uruguay Round, lasted from 1986 to April 15, 1994. In the 8<sup>th</sup> round, areas such as textiles, services, and intellectual property, were negotiated and some agreements took place of which founding the WTO was one of the foremost agreements. On April 15, 1994, representatives of 123 countries participating in the Moroccan summit accepted the agreements and the World Trade Organization (WTO) was born (Akriban, 2002: 166). The organization eventually began its work on January 1, 1995, and became an international entity. WTO currently has 164 members, accounting for roughly 95% of the world's trade volume (WTO, 2016a). Based on article 2 of the agreement to found WTO, the scope of this organization includes:

- WTO creates a common institutional framework to guide the trade relations of the members on the issues related to the agreements and legal instruments annexed to this agreement.
- The agreements and legal instruments listed in Appendices 1, 2 and 3 (hereinafter referred to as "Multilateral Trade Agreements") are integral parts of the present agreement and obligatory for all members.
- The agreements and legal instruments in Appendix 4 (hereinafter referred to as "Multi-Party Trade Agreements") are also an integral part of the present agreement and obligatory for the members accepted them. Multi-party business agreements do not create obligations or rights for the members who have not accepted them.
- The General Agreement on Tariffs and Trade 1994, as set out in Appendix 1 (a) (hereinafter referred to as "GATT 1994") is legally distinct from the General Agreement on Tariffs and Trade of 30 October 1947. The latter was attached to the final document adopted at the end of



the second meeting of the Preventive Committee of the United Nations Conference on Trade and Employment and then was amended or modified (hereinafter referred to as "GATT 1947"). The WTO shall facilitate the implementation, administration and operation, and further the objectives, of this Agreement and of the Multilateral Trade Agreements, and shall also provide the framework for the implementation, administration and operation of the Plurilateral Trade Agreements. The WTO shall establish a forum for negotiations among its members on multilateral trade relations, management of agreements on rules and procedures governing the resolution of disputes and, if necessary, cooperating with the International Monetary Fund and the World Bank to achieve greater coherence in global economic policy-making<sup>2</sup>. However, the 70-year-old activity of the GATT and then the activity of the WTO are indispensable in the development of international trade and the elimination of barriers. For instance, the volume of currency exchanges in global markets has increased from \$ 15 billion a day in 1973 to more than \$ 900 billion in 1992, and since the beginning of the 20th century it has exceeded \$ 1,000 billion. On the other hand, expansion of the GATT and then the WTO activities has led to the exponential growth of exports. According to statistics, world exports rose from \$ 61 billion in 1950 to \$ 315 billion in 1970, and \$ 3,500 billion in 1990, and finally \$ 6414 billion in 2002. Also, countries' GDP exports have increased dramatically from about 6% in 1950 to 12% in 1973 and 16% in 1992 (Piltan, 2004: 18). This increase is not limited to the developed countries, and the export value of African and Asian countries, which was respectively 112,151 and 1098730 million \$ in 1995, amounted to \$ 13,481 and 1549566 million \$ in 2002 (UNCTAD, 2003: 4-6). Also, the share of developing countries in goods world trade increased from 33% in the mid-1980s to 43% in 1995. In addition, in 2020, developing countries are expected to account for over 60% of world production (Piltan, 2004: 26). Accordingly, the issue of accession can be very attractive and helpful for developing countries like Iran. For this, the attention to the way in which Iran is going through its membership in the WTO, what steps has taken so far and what outcomes will be left- negative or positive effects- are the basic questions of this research.

## 2. REVIEW OF LITERATURE

There are two major sections of the articles on research into Iran's accession to the World Trade Organization. Articles of the first section are mostly in Persian. The section is divided into three different categories, each of which focuses on a different perspective. The first category addresses the effects of Iran's accession to the WTO in a general and comprehensive manner to provide a detailed overview of the implications of Iran's membership. Among the studies in this field, we can mention the article "*Estimating impacts of Iran's accession to the WTO*". The author while investigating the effects of Iran's accession to the WTO believes that the accession results in a 20% mutation in the export of industrial, mineral and agricultural products (Mojaver Hosseini & Fayazamanesh, 2006: 33). In the same category, other articles can be cited, such as "*Iran and solutions or negative effects caused by Iran's Membership in the WTO; Opportunities and Threats* (Pourahmadi, 2006); "*Solutions or negative effects caused by Iran's membership in the WTO*" (Rahimifar, 2002) and "*Iran's accession to the WTO: requirements, consequences and practical approaches*" (Shirkovand, 2000). According to the time scale of these studies, it can be concluded that the concurrence of the studies with the initial stage of the request for Iran's membership in WTO has made the subjects of the research to be general.

The second category, based on the time and the changes taking place in the case of Iran's accession, is distinguished from the general case and addresses the consequences of accession as case studies. They have focused on the trade, economic and legal effects of Iran's membership, some of which have pointed to problems caused by the compliance of Iranian laws and economic rules with the standards of the World Trade Organization. The followings are examples of these articles: "*Iran's accession to the World Trade Organization and its impact on*

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<sup>2</sup> Constitution of the World Trade Organization, Article 3



*domestic regulations*" (Shiroudi, 2000), *"Iran's accession to the World Trade Organization and its impact on domestic regulations for export subsidies"* (Shiroudi and Nazarinejad, 2011), *"Iran's accession to the World Trade Organization and its implications for export and import regulations"* (Firoozi, 2005), and *"Legal effects of Iran's accession to the World Trade Organization"* (Akhlaghi, 2006). All of the studies emphasize that accession to the World Trade Organization (WTO) is one of the basic requirements of commercial development in the present era and, accordingly, the country's regulations should be amended in accordance with the required standards. Another spectrum of case studies addresses the consequences of the accession on a particular industry. For example the article titled *"The effects of Iran accession to the WTO on the export of handmade carpets"* analyzes Iran's membership and its impact on carpet industry and the resultant opportunities and threats. Ultimately, it concludes the effectiveness of the accession in increasing the export of the carpets (Doaee & Yaguti, 2004: 3). In addition, the article titled *"Possible consequences of the membership in WTO on Iran industries; case study of automotive parts industry"* is the other example of case studies on Iran's accession to the WTO (Valibeigi & Seif, 2003).

The third category deals with the process of accession. Such research somehow focuses on the period of time prior to the membership trying to analyze and provide the necessary strategies for completing the process of being a full membership in the organization. Articles such as *"Iran and accession to the World Trade Organization"* (Omidbakhsh, 2003), *"Iran's membership in WTO and the general contract for the trade of services"* (Rashidi, 1995), *"Iran: A long way to accede to the World Trade Organization"* (Shiroudi, 2004) and *"The Islamic Republic of Iran and the World Trade Organization"* (Omidbakhsh, 2000) are among such studies.

The second section consists of articles in English with fewer studies than the first section. Most of these studies have been published by Iranian authors. This section also includes two spectrum of research. The first spectrum has addressed the issue in general. For example, in the article titled *"Iran's accession to the World Trade Organization: Legal-Political Review"*, the author refers to some points about the procedures and the process of accession, as well as to the problems with the formation of the work group on the accession of Iran. It briefly describes the political conditions of Iran's accession. The author looks at the accession process with a critical view and believes that a country must have a clear picture of the rights and obligations of a member to apply for membership (Alavi, 2010: 137). However, the second spectrum of these studies deals with the effects of Iran accession to the World Trade Organization. For example, the article *"Challenges for the agricultural sector of Iran, in the case of membership in the WTO"* with emphasis on agriculture's reliance on subsidies argues that early entry into the world trade cycle will put deadly blows on the body of agricultural economics (Gilanpour, 2006). Studies such as *"The factors affecting the competitiveness of Iran Khodro Company in the case of Iran's membership in the WTO"* (Rahimi, 2013) and *"Iran's entry into WTO and its impact on food industry"* (Amiri Aghdaie & Davari, 2010) are also in the same research category.

Another research deals with the compatibility of the WTO's principles, such as the principle of non-discrimination, with US secondary sanctions. The author of the article titled *"World Trade Organization's compliance with US secondary sanctions on oil transactions with Iran"* argues that by imposing these sanctions, the United States has violated the basic principles of the organization, including the principle of non-discrimination. Although this research does not directly address Iran's membership issue, it does show that Iran's membership in the World Trade Organization can adequately influence the process of imposing such sanctions and will lead to legal arguments and global consensus against such sanctions (Singh, 2012: 22).

The historical course of the research indicates that these studies were conducted within a time interval of 15 to 20 years, coinciding with the submission of Iran's proposal for membership until being a member of the WTO. Subsequently, by imposing sanctions that disrupted the membership process, the research significance of the issue was somehow faded, and it was dealt with less. The present study seeks to focus on the membership steps after JCPOA and the subsequent events, in addition to addressing the process of membership in the past. It also examines the current time variables that are highly relevant to the accession case.

### 3. Theoretical Framework

An institutional approach studies various international institutions, and is very influential in the fields of political science, international relations and international law. "An institutional approach as a theory provides propositions about the causes and outcomes of political institutions and believes in the political values of liberalism and democracy. The advocates of this approach consider the legal rules and procedures as a fundamental independent variable, and the functioning and nature of the democracies as a dependent variable. They believe that these rules prescribe behavior. The institutional approach as a method also has three characteristics of descriptive-inductive, formal-legal<sup>3</sup>, and historical-comparative"(Haghighat, 2008: 198). It is still recognized as a decisive feature of the English School of Politics. From the perspective of the English School, the international institutions do shape international cooperation to achieve common goals and interests in the society of governments (Moshirzadeh, 1987: 166).

The most important assumptions of institutionalism are as the following:

- "The significance of institutions: political behavior is deeply affected by the institutional context within which it is formed and becomes important.
- The importance of history: the legacy of the past is remarkable for the present.
- Complexity and unpredictability: political systems are complex and inherently unpredictable.
- The importance of immaterial interests: the behavior of actors is not always an instrumental function of material gain"(2006: 37)

Regarding what has been said, there are some debates about institutionalism and WTO. First, the World Trade Organization is known as an international institution; as a result, the institutionalization process that involves the examination of institutions and the evolution of them can be employed. Further, given the importance of the historical course in this method, the historical context of the organization is briefly summarized. On this basis, descriptive-inductive method is as the dominant method of this paper. According to one of the basic assumptions in the institutional approach, WTO's performance is affected by its institutional context. Thus, this study outlines the performance of the World Trade Organization towards Iran.

#### 3.1. World Trade Organization

##### 3.1.1 Membership process

Considering the huge volume of international trade under the umbrella of the World Trade Organization, accession to WTO is necessary for every country. In general, membership in WTO is somewhat different from other international organizations. According to article 12 of the WTO Agreement, the accession to the organization occurs through a decentralized way. In fact, instead of a direct and centralized negotiation between the World Trade Organization and the applicant country, there are numerous and mutually exclusive negotiations between the applicant and each full member of the organization (Charnovitz, 2013: 6). The membership process in this organization is summarized as follows:

- **The request for accession**

According to the WTO Agreement, each state or single customary territory which is present in the Department of Foreign Affairs and Trade and in the agreement as well as has a full autonomy in multilateral trade agreements may accede to the agreement in accordance with the terms and conditions agreed on between the state and WTO<sup>4</sup>. This process begins by submitting a formal written request for the accession of the applicant state to the secretariat of the organization (WTO, 2017).

- **Approval of the request (accession as an observer member)**

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<sup>3</sup> This method studies the public rights and official governmental organizations, and ignores informal arrangements, rules and norm.

<sup>4</sup> Agreement establishing the World Trade Organization, Article 12. Para 1





The applicant's request is made at the first meeting of the general council of the organization, and if there is consensus, the membership of the applicant country as an observer member is accepted (Rezaei, 2011: 59).

• **Formation of an accession work group**

Accepting the accession of the applicant country as an observer member, a work group will be formed to examine the request for membership and ultimately to provide final information under the title of the Additional Protocol to the General Council or the Council of Ministers (WTO, 2017). Usually, if the work group is formed for the membership of a major and important state, most of the countries will participate in meetings and processes of the work group. But if it relates to a small country, only the Fourth Group, which consists of the European Union, the United States, Canada and Japan, will attend working group meetings. Of course, the neighbors of the the applicant country also normally attend meetings (Eromenko, 2010: 43).

• **The compilation of a report on the business and economic policies of the country applied for membership**

The applicant state must provide the work group with a full report on all aspects of its business and legal regime. The work group collects and sends the members' questions to the applicant country and then receives the response from it (WTO, 2017). The purpose of the compilation of this report is to provide all aspects of the political, legal and economic systems of the applicant country in relation to the obligations contained in the agreements. The report includes numerous issues such as the overall goals of the applicant's business policies and its relevance to the goals of the World Trade Organization; information on the growth of the country's merchandise trade and its services in recent years and the predictions of future years; the way by which power is shared between the central and local governments of the applicant country; any legal program or plan for changing the regulatory regime in the applicant country; information on the licensing process in the applicant country; the comprehensive economic and commercial data of the applicant country; and a list of all legal instruments that affect merchandise trade, services, investment, intellectual property as well as in some cases the judicial and administrative structures of the country (Toohey, 2012: 101-102).

• **Bilateral and multilateral negotiations with major trading countries**

In addition to accepting all the agreements of the WTO, the applicant state has to persuade the major trading nations of the world, especially the United States and the European Union (2005: 2005). Another point to note is that countries must do their best to gain more concessions in the accession negotiations and to provide their own interests. Applicants, of course, should not expect to only score points- not lose any point-and they should not close their markets to other countries while others' market become available to them (Shiroudy, 2004: 195). The main reason for this type of negotiation is the difference in the various interests of the members. In fact, these talks determine the expectations of the member countries from the applicant country for full membership (Rezaei, 2011: 58).

• **Accession Package (Additional Protocol)**

Following the bilateral talks and the submission of the working group's report at the last meeting, the secretariat will submit the accession package, containing the working group's report, the additional protocol and a list of commitments and privileges for goods and services to the General Council or the Ministerial Conference (Grammling, 2009: 2).

• **Voting**

To vote on the accession package is the final stage of the accession process (Toohey, 2012: 103). The WTO agreement acknowledges that the accession decisions will be adopted by the Ministerial Conference. The Ministerial Conference will approve an agreement on the terms of accession with a two-thirds majority of the WTO members' votes. The last case of approving the accession package occurred for Afghanistan, approved on July 29, 2016 (WTO, 2016b).

### **3.1.2. Iran and World Trade Organization**



At the time of the existence of the General Agreement on Tariffs and Trade (GATT), Iran was operating as an observer member in this organization. This membership lasted until the foundation of the World Trade Organization (Zirk, 2008: 63). About a decade after the birth of GATT, Iran began to think of acceding to the WTO and a group was formed to analyze membership in the organization, but for unknown reasons it did not come to an end and was forgotten (Shiroudi, 2004: 189). In the years after the Islamic Revolution, Iran was exposed to two separate directions. In the early years, due to war and a pessimistic look at the international community, the economic authorities were little interested in acceding GATT.

However, since 1991, Iran began to walk in another path. For the first time since the revolution, the issue of the accession was considered by the government and the economic council. Then, in 1993, the issue was raised once again, and due to the non-binding nature of the request for membership, the authorities cared for accession; yet, on account of the concurrence with the Uruguay Round, they postponed any decision after the meeting. After the meeting, a committee was formed to examine the effects of Iran's accession to WTO, which resulted in the rationality of Iran's membership. Following this, the request for membership of Iran in 1996 was formally submitted to the World Trade Organization, which had emerged due to numerous meetings in Uruguay round (Valinejad, 2005: 26). For a long time, nearly three and a half years, Iran's request was not prosecuted. Then, following frequent pursuits and active diplomacy with developing and Islamic countries, it was eventually raised at the organization's general council session in 2001; however, it did not come to an end because of the opposition of the United States. Finally, after a four-year delay, with the acceptance of all countries in 2005, Iran's request was accepted and the country introduced as an observer member of the organization (Zirk, 2008: 64). Thus, once again, after more than a decade absence from WTO, Iran became an observer of the World Trade Organization; namely, Iran regained the position that possessed almost half a century in GATT. The observer's membership brought on positive outcomes and a great privilege for Iran; in some ways Iran appeared at the core of world trade once again.

Until 2015, duly authorized representative of the Department of Commerce was responsible for the mission of Iran's accession to the WTO. The office has taken steps to achieve full membership. The followings can be mentioned as the most important measures conducted after the start of the accession process:

- "Determination of the Minister of Commerce as duly authorized representative by the Cabinet of Ministers in the form of a multi-sectoral document of the accession to WTO on July 27, 2005
- Initiation of training on World Trade Organization topics (80-hour period) for the experts of the organizations and agencies related to the accession on May 3, 2006
- Compilation of an analytical report on the path of Iran's accession to the World Trade Organization for the systematic management of the process and separation of duties and responsibilities of executive agencies by the duly authorized representative of the Department of Commerce in May 2006
- Approval of the ninth edition of the report on the Islamic Republic of Iran's trade regime by a work group composed of elected ministers by the Council of Ministers on July 11, 2007
- Approval of the submission of the report on the trade regime to the WTO at the meeting of Ministers Council on October 18, 2009
- Submission of the report by the authorities of Ministry of Foreign Affairs on November 16, 2009 to Pascal Lamy, general manager of the World Trade Organization
- Reception of the first set of questions from the members of WTO's working group on February 19, 2010
- Initial examination and separation of the questions by the duly authorized representative of the Department of Commerce and sending them to 55 related agencies for answering questions along with a recipe for providing answers.
- Approval of founding a working group headed by the Minister of Commerce and composed of ministers of the organizations which are most closely associated with WTO issues by the Council of Ministers in May 2010. On the recommendation of the Ministry of Commerce, the



working group should pursue the Iran's accession to the World Trade Organization and made the necessary decisions"(duly authorized representative of the Department of Commerce, 2013). Finally, in cooperation with government agencies and relevant institutions, the Ministry of Commerce provided more than 50 responses to the questions and submitted them to the WTO in October 2011. Nonetheless, after the submission of the report on the trade regime and related procedures, the accession process was stopped, mainly due to the intensification of international sanctions against Iran. As a result, the process of accession in the ninth and tenth governments was finally halted in 2011. It occurred as the result of a 3-year delay in the submission of the report on the trade regime to the WTO by Iran. Since 2011, sanctions were intensified and it was practically impossible to continue the accession process (Faryadras, 2016). However, after the 11th government began to work, changes were made in the process of accession and the responsibility was assigned to the government. Extensive consultations were also carried out with various countries. 60 WTO members support of Iran' accession and the appeal of accelerating the process at the meeting of WTO General Council in April 2016 was the result of the consultations. Still, despite the silence of the US at this meeting, the implied opposition of six Arab countries (Saudi Arabia, Jordan, Yemen, Kuwait, the UAE and Bahrain) prevented Iran from acceding to the organization. The 11th government decided to pursue holding meetings and to establish specialized trade work groups on issues related to the WTO's agreements through interacting with the relevant bodies. The report on the foreign trade regime of the country was also updated. Besides, legal discrepancies with WTO rules were identified and bills of accession were drafted. In this period, by the potentials resultant from JCPOA, the accession process was pursued through the coordination with the Ministry of Foreign Affairs and the Iranian representative in Geneva (Donyay-e Eghtesad, 2016).

### **3.2. Post-JCPOA period**

#### **3.2.1. Joint Comprehensive Plan of Action (JCPOA)**

In the early 21 century, the nuclear program was identified as a threat to the world by European powers and the United States. That's why efforts were made to curb this program and prevent its development. In the same vein, Iran began negotiations on trust building with Germany, Britain and France, and eventually, within a time interval and through the Saadabad declaration (2003), the Brussels agreement (2004) and the Paris agreement (2004), a series of constraints spontaneously were exerted to build trust in Iranian nuclear program. Then, however, with the coming of the new Iranian government, these restrictions were removed and, accordingly, several resolutions were passed against Iran in the Security Council, which resulted in extensive sanctions against Iran (Najmi, 2014: 4). The process continued until Rouhani's government came to power in Iran and high-level talks on Iran's nuclear program were restarted. The talks began in Geneva from 2013 between Iranian diplomats and representatives of the European Union and the United States, resulting in the Geneva interim agreement on Iranian nuclear program (Vick, 2014).

During 22 months of negotiation and bargaining, finally, on July 14, 2015, Joint Comprehensive Plan of Action was signed between China, France, Germany, Russia, Britain, the United States, the European Union and Iran to ensure peaceful nuclear program of Iran (United States Department of State, 2017).

Six days after the JCPOA agreement, and on July 20, 2015, the Security Council unanimously approved Resolution 2231. The resolution confirmed and supported JCPOA. The resolution abolished all of the sanctions imposed by the Security Council on Iranian nuclear program. The resolution 2231 also calls for full implementation of JCPOA in the timetable set by the contracting states (United Nations, 2015). Then, on July 31, the Council of the European Union launched its first actions in line with JCPOA (European Council, 2015). Subsequently, on October 18, 2015, which is called JCPOA adoption day, the contracting states began their preliminary measures to implement JCPOA (United States Department of State, 2015). Full implementation required the report submitted by International Atomic Energy Agency (IAEA)



on support of Iran's preliminary measures. Eventually, on January 16, 2016, Yukiya Amano, in a report, endorsed Iran's preliminary measures and JCPOA began to proceed in practice (Gaspar, 2016).

### **3.2.2 Post- JCPOA**

Post- JCPOA or post-sanction is referred to as a time-after-JCPOA. This term is used in the Iranian media to refer to the effects of JCPOA and the abolition of all nuclear sanctions on all its related elements. The effects may be positive, such as lowering inflation expectations, investing in infrastructure activities, improving economic growth and increasing oil exports, or negative, such as the sharp rise in imports (Abnar, 2017).

## **4. Methodology**

This research is applied in terms of purpose. It is also considered as a research based on data analysis and various qualitative variables because of using library and documentary studies. On the other hand, regarding the purpose, it can be considered as a practical research because it examines the current conditions of Iran in the path of accession to the WTO and its results can affect decisions made by economic managers. Regarding the nature of the subject, the required data was collected by referring to and analyzing printed and Internet texts. This is also a cross sectional study covering 20 years of Iran's actions and reactions, which is the result of the interaction between the country and the World Trade Organization.

## **5. FINDINGS**

### **5.1 Major reasons of non-accession at the present time**

The reasons for the failure of Iran at the current time to achieve a permanent membership in the World Trade Organization are divided into two main categories. The first category is related to the internal factors. These factors point to problems of the country in creating and implementing a national development strategy and in domestic preparedness for accession. The second category refers to external factors, including the opposition of some countries, such as the United States of America and the Arab states of the region to Iran's membership in the WTO (Bozorghchi & Mousavi Dehmoredi, 2014: 2).

The correct path for dealing with the internal factors is to address the consequences of accession for each section, and to develop a 5 to 10-year plan for preparedness of every section. The time required to finalize the negotiation process with the working group will give the opportunity to the internal units to achieve some degree of coordination and readiness for the new situation. Of course, domestic producers who have always sought a wall of tariffs and governmental support are facing some concerns (Bina, 2015).

In the case of external factors, the historical background of Iran's relations with the Western and Arab countries of the Middle East has been very influential. Deep political conflicts with the United States and unilateral sanctions by US, and in the late 2010s, the all-round sanctions by Security Council against Iran made it very difficult to run business negotiations. The situation was partially improved by the emergence of JCPOA, but coming Donald Trump's right-wing government in the United States and the Arab countries confrontation with Iran, led by Saudi Arabia, have prevented completing agreements and developing trade talks. On the other hand, the lack of a work group for accession was one of the obstacles to Iran's membership in WTO. The work group decides on the issue of membership, but its chairman has not yet been appointed. The reason for this is the conflicts arisen in this regard (Dodanghe, 2016).

### **5.2 Effects of Iran's accession to WTO**

This, like any other thing, includes benefits and limitations. Accession to the WTO, in addition to the many benefits, imposes certain restrictions and conditions on the countries.

#### **5.2.1. Opportunities resultant from accession**

Among the most important positive impacts the followings can be mentioned:

- Attracting foreign capital



- Access to other countries' market
- Transferring technology to the country
- Jump increase in exports (Pourahmadi, 2006: 329)
- Lower prices for consumers by eliminating customs duties
- Competitiveness of the production arena and, consequently, stimulation of economic enterprises for economic productivity (Ebrahimi, 2016)

Besides the above mentioned cases, it is possible to promote the quality of products, improve the status of property rights, destroy the smuggling network, increase in government revenue by removing non-tariff barriers and turning them into tariff barriers, innovate by triggering competition among producers, maximize utilization of facilities, enter into the global macro-economic cycle and make transparency in economic relations (Bahmani, 2004: 78).

Overall, accession to the WTO apart from the general points mentioned so far, mostly include economic issues. It is also possible to bring on positive effects in cultural and political fields; for example, Iran can gain reputation in international politics. In the economic circles, a greater bargaining power may be created. In cultural fields, due to the rich Iranian-Islamic culture, it is possible to export the cultural products to the markets available after the accession, to help to understand Iranian culture and take its advantages in order to meet the economic goals.

### **5.2.2 Threats caused by accession**

Accession to the World Trade Organization, like any other thing, brings about a series of harms. The harms do vary for each country; however, a number of general disadvantages and the harms specific to Iran are listed as the below:

- Jump increase in import
- Reducing of less productive industries and manufacturers
- Increased unemployment in the event of domestic producers removal (Bahmani, 2004: 78)
- Elimination tariff support and hidden/obvious subsidies
- Increased costs of old technology updates
- Insufficient experience in managing collections in international environments
- The weak financial structure of companies and the weakness of the banking system in helping to finance during the transition period
- The weak and inefficient infrastructure of exports in the country (Ebrahimi, 2016)

Moreover, disadvantages such as reducing the power of decision-making in the economic and commercial areas and vulnerability to developments out of the country's control are possible (Zirk, 2008: 62). But as mentioned in the section on the benefits and positive effects of membership, the negative cultural and political effects should not be overlooked. In the political dimension, the increasing reliance on the global economy and incorporation into the global trade cycle will strengthen Iran's link of interests with the dominant global powers. This could have a devastating impact on the country's political independence in the event of disagreement with the dominant powers on a particular issue, such as the nuclear case. From the cultural point of view, opening the national doors to foreign products will give rise to the invasion of Western culture into the foundations of national culture. Moving towards the liberalism-based goals of WTO will unconsciously push the society towards non-native beliefs such as individualism and secularism (Pourahmadi, 2006: 331).

## **6. CONCLUSIONS**

With the advancement of human societies due to modern science and technology, the world is moving towards more aggregation. Globalization has penetrated into every dimension of human life and has led to greater convergence in the international community. One of the influence areas of this phenomenon is the realm of economics and business. WTO has founded accordingly. Today, the World Trade Organization has become one of the largest and most important international organizations by covering over 95% of global trades. Membership in this organization and access to the numerous markets is the first economic priority of many countries. Iran, like any other country, as well as on the account of its economic outlook has

perceived the necessity of accession to the organization and has taken steps in this direction. For many years, Iran was prevented to accede to the WTO for reasons such as sanctions; however, after JCPOA, the attempts were resumed. Certainly, in order to become a member of this organization, Iran had to strengthen the economic base and industries. Along with these issues, it is necessary to update and harmonize the rules with the standards of the World Trade Organization. The use of strong diplomacy and détente on the international scene can also help to resolve the political barriers to Iran's accession. But regarding the effects of Iran's membership, it is clear that the advantages are more than harms. The membership or request for accession of the countries is a proof of this claim.

Nevertheless, the basic point to keep in mind is that membership in the WTO will not result in development alone. Studies on Iran's accession to the World Trade Organization have emphasized the significant role of membership in expanding Iran's exports. This will be more remarkable in the field of non-oil exports like the export of carpets, pistachios, agricultural products and minerals. Despite this optimistic view, the effects are twofold, that is, in the case of the country's readiness and the provision of the ground, development and progress will be realized. Otherwise, membership would harm Iran's interests and could cause irreparable damage to the economy and national production and even to culture and politics of the country. WTO has offered some solutions; however, given the timeliness of these strategies, it is essential to consider the relevant issues seriously. The present study differs with previous ones in terms of the research period since it emphasizes the post-JCPOA age. As a result, according to the time scale of this research, Iran's accession process faces three main variables: JCPOA, which has great potential for the development of business communications and the achievement of international political agreements; regional issues and tensions with the Gulf states, which can have a negative impact on the accession process; and the role of the United States, which actually stop the accession in real terms, especially after Donald Trump has become the president and takes hostile policies against Iran. In sum, given the regional and global conditions, it is best to improve the economic infrastructures as much as possible and optimize the financial systems of the country. Furthermore, along with regional and global active diplomacy, in the proper time and without fear of membership threats, the accession process should be completed and Iran should become the main member instead of the observer member. Accordingly, this study recommends the following package of legal-political measures:

- To undertake a détente policy, especially in the Middle East, with an emphasis on cultural-religious unity.
- To use qualified lawyers familiar with WTO's system and rules to train managers and other practitioners.
- Modernization of industries by directing domestic capital to attract foreign investment
- Development and institutionalization of financial transparency and optimization of financial systems in business relations using internationally defined frameworks
- The reform of foreign exchange and trade policies, especially the rate of exchange and attracting foreign investment
- To encourage exporters and facilitate production-related matters by removing administrative bureaucracy
- Gradual elimination of government subsidies and reinforcement of domestic manufacturers through increased productivity.

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## **ETHICAL CONSIDERATION**

Authenticity of the texts, honesty and fidelity has been observed.



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Planning and writing of the manuscript was done by the authors.

## **CONFLICT OF INTEREST**

Author/s confirmed no conflict of interest.

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