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SUPPORTIVE SOLUTIONS IN ABSORPTION OF FOREIGN INVESTORS

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ABSTRACT

Investment is one the most important issues which may be considered as the source for all social and economic changes in a society which is necessary for the development of every country. Continuous investment is the necessity for growth and development of all dynamic economics and foreign investment in a countries potential range covers its needs in foreign currencies for all aspect development. As a result in order to gain more agility in improvement of a country's working atmosphere we can benefit from transferring other countries' currencies to our own country as external financial sources for unfinished businesses.

Keywords: Direct foreign investment, developing countries, crucial elements

INTRODUCTION

Foreign investment can be a tool for growth and development and in most countries, especially developed countries which have fewer economic facilities and less pecuniary, the main solution to overcome the problem of insufficiency of investment and exiting the loop of being undeveloped is to use the capital stockpiled in developed countries. In order to run economic designs and increase the economic growth we must seek the absorption of foreign investments. In this sense, foreign investment includes large scale economic and political aspects, which requires variable policy making in the world of economy. On the other hand nowadays, all the countries around the globe have changed their focus to absorption of foreign investments in order to give their industries growth and development, and with the entrance of currency to their countries, not only they can overcome the need for currency, but also there will be more employment opportunities provided.

METHODOLOGY

In this paper data from previous researches and documents in official statements are used for explanation of the problem. And also with providing supportive solutions, for governing supports with effective policies in absorption of external investors are introduced and also their important effects on direct foreign investment absorption is discussed.

Findings

The most important elements which can be pointed in the era of absorption of external investors to a country are technology transfer, connection with international markets and transferring managerial expertise. And the source of these elements is the empowering of productive industries internally which carries out the increase in employment opportunities and furthermore it can be expected that the rate of unemployment will turn in to a one digit number and also there will be a balance in foreign payments.

Importance of the subject

Although there have been a lot of research in the context of foreign investment in Iran, in this paper there will be a close look at supportive elements from the state for the absorption of foreign investment. Generally most of the investments in our country until now were negligible and the balance of foreign payments in Iran includes a small number. And the growth of external investment in the year 91 as 4.5 billion dollars is still not enough with respect to the good potential for investment we have in Iran. Among different types of external investment, direct external investment can cause deliberate industrial improvements and also the entrance of up to date knowledge with facilities and machineries as a result of

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its various advantages. Generally it can motivate the macroeconomic indexes for a ascendant progress. Also there are barriers for external investments in Iran which may include:

- 1- Negative credence towards foreign investment
- 2- Ambiguous rules and arrangements
- 3- Complicated steerage bureaucracy

Also it must be pointed out that since Iran is gifted with a huge amount of natural resources among which the most important one is oil, and also its neighbourhood which is consisted of the most important countries of central Asia and Persian Gulf; it can be considered as an ideal source for foreign investors.

Absorption of direct foreign investment can speed up the process of growth and economic development in host countries through positive effects such as technology transfer, expanding the size of the market, exporting advantages, making side industries, improvement of managerial competency, training human forces and providing access to foreign markets.

Generally the causes and incentives for the flow of capital between different countries are mostly similar to the causes and incentives of intuition of capital between different markets in a country. As a result, the incentives which cause the intuition of capital can be classified as follows:

- 1- Financial, technical and economic elements
- 2- Supportive elements
- 3- Political elements
- 4- Geographical elements

Th economic prohibitions with respect to their access to media and having infiltration in other countries (supporters and allies of America) and their virulence against the Islamic republic of Iran have continuously tried to ruin the economic potential of Iran, but achieving the 18th level amongst the glob in the context of economy signifies the self-esteem and innovation of Iranian community. With providing especial facilities for external investors we must be able to grow and develop this number further so it can be solution in the current situation of currency in our country.

1-Investment with the aim of continuing pedagogical studies in the host country

Individuals who choose Iran as a place to invest their money in are granted with a completely free studying permission without any payments in M.A and P.HD, and also the representative university is recommended from the ministry of science and research which provides a good scientific opportunity. The amount of salary is dependent on the amount of invested money and the following table is a sample:

Table1. Salary discount for foreign investment

Amount of investment in \$	Amount of discount in salary
Up to 10 million \$	50% in all existing levels
10 to 100 million \$	1 percent for each 1 million \$
More than 100 million \$	Totally free for all levels

2-Discount in customs' cut

A) Private and individual stuff

Foreign investors who want to invest more that 10 million dollars in productive projects of Islamic Republic of Iran will be granted a 100% percent discount in the custom cut for their necessary home appliances and their private vehicle which is considered as a kind of individual support for investors.

B) Equipment and raw material

The foreign companies which tend to invest their money in Iran will be granted a 30% discount for their industrial equipment custom cut which provides them the opportunity to compete in the market with a less final expense and provide their high quality productions with a less price.

Appendix) If the foreign investor is able to export the products he produces in Iran to other foreign countries and give the resulting currency to the currency exchanges center in Iran, then the amount of custom cut discount will rise to 50% to provide them with more export supports.

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3-Inexpensive and free communications

Using services such as land phones, cell phones and international roaming and services such as high speed internet up to five million Taman per month will be free for such economic activists and will cost the no fees at all which will develop their communications with family members, friends and co-workers in other countries.

4-Granting residence

Investors, who tend to invest more than 10 million dollars in Islamic Republic of Iran and are approved by the corresponding authority, will be granted free residences in suitable urban areas under the title of especial towns. This kind of support will lead to maintain values and especial respects with extra optimistic views towards prolonged investment in host country.

The effects of mentioned points

Providing meantime education with least expenses and gaining income with investment

With regard to increases in studying prices in different countries, with investing at least 10 million dollars in Iran there will be an opportunity to choose Iran as a country to continue the pedagogical educations besides gaining 50 to 100% discounts for education and residence expenses, and along gaining knowledge, with Iran's great economic potentials, have a suitable income for their investments. With such planning and approach, we can help improve the economic situation of educational and scientific organizations with injecting currencies for overcoming the expenses which they are about to be faced and this unique capacity will provide the opportunity in Islamic Republic of Iran to absorb foreign capitals with accepting foreign students. Also the investors will benefit from several educational facilities and discounts for their family and are able to choose their favourite educational field with respect to moral arrangements of universities, and there will be the context to gain Islamic and Iranian knowledge and transferring it to the other points around the globe.

5-Tax break during the first periods of activity

Non-Iranian investors will be granted 100% tax break during the first three years of their economic activity in Iran and after this three years, they will begin paying taxes with rate of 30% of up to date rates and this 30% will increase for 10% every year.

6-Providing inexpensive tickets for aerial transportation

In order to provide more facilities in business trips and returning to home country the expenses of aerial tickets for foreign investors who at least invest 10 million dollars will be cut by 50 or 100%. Although the level of their investment is directly related to the amount of discount they are granted and the following is a sample table for these expenses:

Table2. Discount in ticket expenses for foreign investors

Amount of investment in \$	Amount of discount
Up to 10 million \$	50 Percent of all existing levels
10 to 100 million \$	5 percent for each 10 million \$
More than 100 million \$	Free

7-Granting Loans with less profits

In order to provide more support and the flow of currency to industrial sectors, all foreign investors will be provided bank loans with less profit which will lead to less final product prices and more competitiveness presence in the markets. This discount is also provided in the following table as a sample:

Table3. Bank loan discounts for foreign investors

Amount of investment in \$	Amount of discount
Up to 10 million \$	1 percent
10 to 100 million \$	0.1 percent for each 10 million \$
More than 100 million \$	1 percent for each 100 million \$

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8-Discounts in the rate of energy consumption

With respect to energy consumption especially in production sector, with firms who invest 100 million dollars will be granted a 5% discount in the rate of energy factors to provide more interests for foreign investors towards investing their capitals in Iran.

9-Allocating cultural gifts

With the intention of familiarization with Islamic Iran's culture and civilization and introduction of Iran's scientific and cultural treasures, all investors will be provided with gift cards with twenty million Rial credits for buying books per year. Also this gift can be allocated to non-oil industries activists who also play a role in absorbing currency.

DISCUSSION AND CONCLUSION

The negligible share of Iran in absorption of direct foreign investment means that we need economic structural reformations in the context of rules and arrangements in supporting foreign investors, tax, foreign business work arrangements and economic freedom. As a result the investment atmosphere must be based on investment security and economic profitability so it can provide the requirements for the absorption of foreign and external investors.

Also these facilities are not inexpensive, but with cooperation of central bank and ministry of economy, providing credit through national development funds or defining budget in flowing expenses of the country with the approval of Islamic council will lead to improvements in Iran's capacity in absorbing desired foreign capital.

With development of foreign investment as a result of overflow of financial resources to the countries different sectors, Iran is able to take advantage of growth and development opportunity with providing required infrastructures and the result will be that the other economic sectors also develop further.

Especially conditions and facilities which are considered for foreign investors will lead to less expenses for living and studying in Iran and on the other hand some of these facilities will provide this opportunity in final cost of products that absorbs more costumers and make more impacts on internal and external markets. It also causes more qualitative and quantitative competitions between internal and external producers since it leads to the introduction of more up to date industrial equipment to the country and finally there will be more overall customer satisfaction in a new competitive atmosphere.

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