

Iran Accession to WTO and Its Effects on Food Industries

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Abstract

The goal of this paper is to investigate Iran accession to WTO and its effects on food industries, the mentioned goal will be accomplished by variable factors such as custom structure reform and improvement, increasing competitive abilities, increasing products quality, developing foreign markets and creating Job opportunities as research hypothesis.

The type of article is descriptive-cognitive and the related information for this scope has been collected by using library resources such as books, scientific journals and moreover for collecting necessary data in order to accept or reject the research hypotheses a questionnaire made by researcher has been used. The statistical society of research includes a group of food industry experts in Isfahan province and the method being used has been random sampling. Results of this research show that Iran accession to WTO has great influence in above mentioned variables of food industries.

Keywords: Food industries, WTO, Custom structure, Competitiveness

1. Introduction

The challenges in the world trade, force us to move along with other countries towards globalization in order to be stronger than them and have the ability to compete with other countries.

The necessity of Iran accession to WTO encourages us to try to become familiar with this organization.

The main purpose of The world trade organization which its operating is in accordance with the world trade rules, is to guarantees smooth and free procedure, therefore the consumer and producer know that they have enough right in choosing goods, Buying raw materials and services which have been created for their use, foreign markets will be open to them and they can benefit from safe services as long as they like (Esfandiyari- 2005).

Nowadays economists believe that the developing countries are more interested in joining to WTO although these countries have a very rough path to achieve trade freedom , but always made their attempt to make their trade in accordance with world trade rules ,about Iran after researching for many years regarding positive and negative aspect of joining to this organization and whether to join or not decide to present its request of member ship and finally after twenty two times rejection in 2005 was accepted as observer member. By the way from that time the government of Iran pays special attention to this subject.

Encourage and support foreign investment, nullification of some monopoly and correction of tax structure are some of the activities that Iran did regarding this matter (Safari-2007).

2. Food industry

Food industry defined as the knowledge and techniques that give attention to the quality of physical. Chemical and biological of agricultural products including plant and livestock in terms of conversion and maintenance. Although nowadays food industry has really progressed but still has a long way to reach the human needs and expectation. We know that from the beginning of human history food has been primary requirement but until the end of eighteen century world economy was only relied on agriculture products and everyone was responsible to provide his or her own needs, therefore we can say that the production and distribution of food in commercial and modern manner begin since last two century and because of that presently we can see and buy any kind of food products in every season and every place (Behkish -2001).

The period of between the first and the Second World Wars were the terms of food industries development. World wars create many changes in the life of European and American people like woman working out of home, raise the price of some special services such as house maid, which nowadays we are seeing it in Iran, short time for shopping and cooking, in addition the improvement and variety in food preparation which created by food industries all were the causes of development in this industry.

Presently the economic role of these industries show the food security is one of the important factor of national strategy for independence and freedom, because in many times we can see producing and distributing of food materials have found political dimension and some countries which are food materials producer are using it as an armor against the nations who require food and they force them either to obey their policies or they must accept problems and economics crisis. Therefore best using of food products and prevent the waste of that, right management on sources and also using new sciences and modern techniques In order to protect the quality and increase the length of food products life are very necessary and important factors.

Although Iran's food industries are new in comparison to the world's food industries and have no suitable condition but because of good quality of agricultural products and variety of weather condition in Iran could have the best situation. Until 1978 there were about 400 units of food industries like factory and working place in Iran and the products of them were, drinks, dairies, sweets, chocolates and meaty products. According to available information before the beginning of Islamic revolution majority of people nutritional needs provided by other countries and it caused exodus a lot of currency from country, after the end of Iran-Iraq war the government had enough time to pay more attention to this field and developed the food industries so in present time according to statistical data from Iran's ministry of industries there are 7370 units which they are working with 200644 employees and 126700 million dollars investment and the share of this industry in non oil exportation also is 1000 million dollars (Safari-2007). Therefore all of the above information shows the desirable place of these industries in Iran.

3. World trade organization (WTO)

Since the creation of classic economic school at the end of 18th century world trade became a scientific subject and the theorists of this school believe in free trade without interfering of the government.

By beginning huge crisis in world economy and occurring Second World War their ideas have changed regarding above believes and then a new version of governments interference in economy especially in international trade became fashionable that most industrial countries tried to make a legal system for international trade development, best and most effective sign of this event is creation of WTO, this organizational that its establishment is 50 years ago with the name of general agreement on tariff and trade (GATT) in the beginning of its activities had a few members but by development, especially in the end of 1980 decade, after finishing the Uruguay meeting, The name of GATT changed to WTO and its members increased (WWW.WTO.IR).

WTO is an organization that sets world trade laws and solves problem among members. increasing life level and supplying full employment in member countries, development of manufacturing and using world resources, omit trade's problems and make a correct and stable system in custom structure, catching a sustainable development and finally protect the environment are some of its goals.

Nowadays, accession to this organization has become an international competition and sometimes this membership is counted as an international credit for the joined countries.

The main building of this organization is in Geneva and presently 180 countries have joined to WTO. Joining this organization needs accepting several principles that are established by members. Iran was one of the wishful countries for WTO membership and has sent its first request on July 19 1996 but became accepted as an observer member in May 26 of 2005 and until now acting under this title.

4. Customs structure

The custom is an economical and financial organization that has existed since long time ago in countries and in each time base on requirements and government needs had special form and structure. This organization always setting imports and exports regulation based on certain rules. Therefore, we can say that the implementation of legal measures on import and export, preventing the infringement of regulations on receiving custom duties are the major responsibilities of this organization.

The history of Custom is very old in Iran. In the era of sasanian kingdom which has been about 4th Christian century, custom duties were receiving on borders, in that era export was exempted from customs duties. In 1674 during safavi's kingdom custom duties of goods were estimated base on price of goods and finally in 1996 custom became a part of ministry of properties and continued its activities up to now.

Although the custom of Iran tried to revise its regulations and reduce the official process, but still did not succeed and couldn't reach to designed goals because of present custom's laws which are belong to 38 years ago and instead of solving the problems made several challenges that custom organization is already face with them, passing custom process for exporter and importer is very difficult and official process limited the situation for businessman while the only thing which is very important for them is that, they can do easy export of their goods or import of their needs.

However delay in releasing and long term procedures of export and import, lacking sufficient number of ware houses, lacking of quarantine and necessary tests for some goods and applying high customs tariffs which are usually variably are all the encumbrances that make problem for merchants (Kalbasi-2004).

Anyway, In order that Iran become a permanent member of world trade organization all of the custom laws should conform with WTO rules and those who are responsible must pay special attention to this subject and consider it more.

5. Competitiveness

The growing needs of the society in terms of food due to extreme population growth and the reducing of food resources are the most important problems that attracted the government attention to themselves. Therefore in this field using correct and vast exploitation of available food resources and applying reasonable methods in order to preserve the food products are very important and necessary.

In addition nowadays growth and development of societies and progress of science and industry create some new habits that thereby feels variety of product in foods industry is needed (valibagy-2003).with attention to considerable above factors, for having effective presence in foreign and domestic markets profound study about pricing, packaging and advertising, Since each one can help us to improve and increase our competitive ability. Seems to be very vital,

At the present time food industries in Iran suffer because of lacking modern machineries, So how come we can expect to produce a new product that cover all the customer needs from an old machinery, in addition to this fact these machines also increase raw material wastes, Decrease human potentials and wastes the time which everyone is a big problem and creates plenty challenges.

Presently the people because of having high knowledge and more understanding, In order to achieve their aims, Think deeply, Act carefully and compare the goods with each others before they buy, So they expect instead of the money that, They pay receive a high quality good which could fulfill their needs.

Packaging and pricing are also two factors that each one plays an important role in competition. For example sometimes we can observe a product remains for a long time in a market or in a store due to having not beautiful packaging, Therefore it is necessary to study about that closely and produce a good with attractive package.

As we mentioned it above, Pricing has also an important role in competition, so the producer should try to decrease the price of their products in order to endure and succeed in competitive scope. Beside of all the above factors, Buying raw material at reasonable price and high quality, Using skill workers are also very important, That the producer should have special attention to them.

6. Background of research

There have been some studies about the accession of Iran to WTO. Azizi, Khosro (2001), in a study about Iran and world trade organization, describe the structure of WTO and how a country could be a member of it, finally the result of his study shows that if a country wants to achieve the sustainable development should be a member of world trade organization.

Chav, peter (1991), in a study regarding measuring the competitiveness in industrial product shows that Iran only in food industry and handicraft has competitive advantages.

Valibeigi, Hassan (2003), analyzed the competitive strength of Iran's industries; the result of these analyses shows that Iran's accession to WTO increases the strength competitiveness of products.

7. Methodology

This paper is a descriptive –cognition and related information for this scope have been collected by using library resources like books and scientific journals, for the collecting necessary data in order to accept or reject research hypotheses, a questionnaire designed by researchers has been used, mentioned questionnaire has four selective choices and their answers are varied between the most and the least, furthermore the scope of research from aspect of subject is Iran accession to WTO and its effects on food industries.

This research has been done on July 2009 and the statistical society of research includes fifty expert persons from food industries of Isfahan province and random sampling method was used in this research.

Independent variables of the research include, custom structure reform and improvement, increasing products quality, increasing competitive strength, developing foreign markets, creating job opportunities and dependent variable is WTO effects on food industries.

In this study for summarizing extractive data to accept or reject the hypotheses of research used SPSS software and presumption statistics methods (like T as single sample) have been used.

Which T refers to statistic data, in case the sig (meaningful level) is less than (0.05) hypothesis H0 will be rejected and hypothesis H1 will be accepted as well as DF shows the degree of freedom.

H0: $m \leq 0.05$

H1: $m \geq 0.05$

8. Data analysis

In this part by using mentioned statistical methods and collected information and extractive results from questionnaires the research hypotheses have been tested.

8.1 First hypothesis

Iran accession to WTO will reforms and improves the custom structure.

H0: Iran accession to WTO will not reforms and improves the custom structure.

H1: Iran accession to WTO will reforms and improves the custom structure.

Hypothesis test is in the error level of (0.05) and reliability level of (0.95), as the significant level of (0.0058) is less than (0.05), so the hypothesis H0 will be rejected and hypothesis H1 will be accepted (table,1).

8.2 Second hypothesis

Iran accession to WTO wills increases the competitive strength of food industries.

H0: Iran accession to WTO will not increases the competitive strength of food industries.

H1: Iran accession to WTO will increases the competitive strength of food industries.

Hypothesis test is in the error level of (0.05) and reliability level of (0.95), as the significant level of (0.0001) is less than (0.05), therefore hypothesis H0 will be rejected and hypothesis H1 will be accepted (table,2).

8.3 Third hypothesis

Iran accession to WTO will increases the quality of products in food industries.

H0: Iran accession to WTO will not increases the quality of products in food industries.

H1: Iran accession to WTO will increases the quality of product in food industries.

Hypothesis test is in the error level of (0.05) and reliability level of (0.95), as the significant level of (0.002) is less than (0.05), so hypothesis H0 will be rejected and hypothesis H1 will be accepted (table,3).

8.4 Fourth hypothesis

Iran accession to WTO will develops the foreign markets.

H0: Iran accession to WTO will not develops the foreign markets.

H1: Iran accession to WTO will develops the foreign markets.

Hypothesis test is in the error level of (0.05) and reliability level of (0.95).as the significant level of (0.001) is less than (0.05), therefore hypothesis H0 will be rejected and hypothesis H1 will be accepted (table,4).

8.5 Fifth hypothesis

Iran accession to WTO will creates job opportunities.

H0: Iran accession to WTO will not creates job opportunities.

H1: Iran accession to WTO will creates job opportunities.

Hypothesis test is in the error level of (0.05) and reliability of (0.95), as the significant level of (0.0006) is less than (0.05), therefore hypothesis H0 will be rejected and hypothesis H1 will be accepted (table,5).

9. Conclusion and Suggestions

Without doubt creating a suitable situation is necessary for doing any work; otherwise its disadvantages will be more than advantages. Regarding Iran accession to WTO which is very important, from one aspect can be like a storm and destroys producing companies, but in the other hand by making a fundamental basis and suitable condition can be a golden chance and good opportunity for putting the country in the way of growth and development.

Iran which in present time act as supervisor member of the world trade organization should try best in order to conform its situation and facilities with the condition and rules of WTO and by following them attracts its members attention and becomes a permanent member.

Growing daily requirement of society to food, increasing population and decreasing nutritional sources are the most important reasons that reveal the important of food industries.

Unfortunately nowadays although plenty of Iran's food products have high competitive advantages in compare with the same foreign products but still are not successful in foreign markets just because of lacking have international standard requirements.

The analysis of finding related to the first hypothesis shows that with Iran accession to WTO custom structure will become reform and improve.

Regarding to the second hypothesis also our finding shows Iran accession to WTO increases the competitive strength of food industries.

Analysis of finding data related to third, fourth and fifth hypothesis show with Iran accession to WTO the quality of food products will increase, foreign markets will develop and also the job opportunities will increase.

All of the above factors show the present situation of Iran's food industries and the importance of accession to WTO due to its several advantages.

Therefore we offer that the government should pay special attention to these industries and helps to producers in order they renovate or change their old machinery and increase the quality of their products and raise their competitive ability.

The government should give knowledge to producers in order to use food sources in the best way and prevents of enormous wastage and creates new nutritional sources.

The producers also should visit the exhibitions which are regarding this field so that they become more familiar with new products and increase their knowledge to improve their own products and finally if the government of Iran wants to reach a sustainable development should try best in order to becomes a permanent member of world trade organization as soon as possible.

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Table 1. Iran accession to WTO will reforms and improves the custom structure

SIG	DF	AVERAGE	T
0.0058	49	3.70	2.68

Table 2. Iran accession to WTO will increases the competitive strength of food industries

SIG	DF	AVERAGE	T
0.0001	49	3.94	0.724

Table 3. Iran accession to WTO will increases the quality of products in food industries

SIG	DF	AVERAGE	T
0.002	49	3.98	0.841

Table 4. Iran accession to WTO will develops the foreign markets

SIG	DF	AVERAGE	T
0.001	49	3.24	2.68

Table 5. Iran accession to WTO will creates job opportunities

SIG	DF	AVERAGE	T
0.0006	49	3.15	1.732