

Legal Impediments for Foreign Investments: A Comparison of Iranian and Turkish Legal Systems

*Mehrab Darabpour**
*Somaye Khezerlou***

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Abstract

Legal regulations have direct effect on economic sustainable development. No one can cast a shadow of doubt on the fact that foreign investments also have such an effect. This effect has been proven by our neighbor countries. Even though foreign investment in Iran has risen more than 64% last year, these kinds of investments have not yet reached a desirable level.

There are several impediments for the foreign investments such as political, social, economic and cultural factors. The legal impediment is the most important one, which has been discussed in this article. In these two legal systems, there are some legal effective factors, which are as follows;

- 1) In Iranian legal system, accepting foreign investment is at the discretion of the governmental authorities, which is not, contrary to Turkey, so desirable. There are some exemptions in both systems of law;
- 2) The scope of the area of investment in Turkey is broader than Iran, which, in turn, has its own effect in each of these countries;
- 3) The rules related to the real estates, contrary to the Turkish legal system, are more rigid and less clear in Iranian Law;

* Full Professor, International Commercial Law, Shahid Beheshti University, Tehran, Iran.
(Corresponding Author).
Email: info@drdarabpour.ir

** Ph.D. Candidate, International Commercial Law, Shahid Beheshti University, Tehran, Iran.
Email: somayeh.khezerlow@gmail.com



- 4) The tax and labor laws in Turkey are more favorable towards investors than Iran;
- 5) Social and Civil liabilities of the practicing companies in both countries are more or less the same. Turkey is a member of more conventions related to human rights and social affairs. These ratifications give Turkey a relative chance to attract more foreign investments.

These are the reasons according to which the foreign investments decide to invest in a country or not. This article proposes systems by which one can reduce the impediments and simultaneously motivate the foreigners and other investors to invest safely in both countries.

Keywords: Foreign Investment; Governmental Discretion; Real Estates; Labor Law; Tax Law; Social and Civil Liabilities; Economic Growth; Sustainable Development.

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