



Globalization, Privatization, and Economic Growth in Iran Compared with some Other Countries

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ABSTRACT

One of the goals of Globalization in the economic arena is to remove economic borders and eliminate legal barriers in countries so that capitals can flow freely. The second point with respect to the economic aspect of globalization is the removal of customs-related borders and barriers and globalization of competitions. The purpose of this paper is to examine the impact of globalization on economic growth of different countries from the point of view of advocates and critics of globalization theory. Having considered some facts and evidences, we will analyze theoretical principles of globalization and its relationship with economic growth in countries. We will also try to compare economic growth trend of some countries with that of our country (Iran) in order to explain the impact of globalization on economic growth in these countries. And then necessary indexes for entering globalization will be dealt with and the most important impacts of freedom of investment which is an essential prerequisite for globalization will be studied and some suggestions will be made.

KEY WORDS: Globalization, Economic growth, Economic Liberalization, Privatization, Competitiveness, Gross Domestic Product (GDP).

INTRODUCTION AND PROBLEM DEFINITION

Globalization is an effective and impressive process and the most important concept that interprets the world's recent developments. Nowadays majority of societies even countries with communist systems like China and Vietnam, have come to the conclusion that economic development is dependent on positive and constructive interaction with trading system and global economy. Globalization, as a reality beyond ideologies, determines the future of society's economic development and it is countries' development in economic externalism and adopting policies in line with global economy in order to develop and utilize opportunities of globalization.

Economic globalization informs us of transforming the world to a world with no economic borders and of merging economic systems in which they are led with common global institutes and international companies influencing internal economy without the intervention and leadership of government. In fact, economic sections influenced by globalization step into a level that consider themselves independent of national governments (Marber, 1998:3). One of the most important factors in development of the globalization of economy is an ever-increasing role of multinational companies and a set of industrial, informant and service provider companies with various activities which formed without considering geographic limitations which act without any adherence to people or specific geographic area or government policies. All these cases are indicative of the reduction of governments' interventions in trading, financial, economic orientations in status quo and its more intensive form in the future (Collapally 1993:26). Thus we can say in economic dimension, globalization is a kind of free market economy which is sometimes imposed. One of basic goals of globalization in economic arena is to remove economic borders and eliminate legal barriers and obstacles in countries so that capitals can flow freely. Second point concerning economic aspect of globalization is removing barriers and borders of customs and globalization of competitions (Mojtahed zadeh 5:2000). In this dimension the analysis unit of globalization is global economy. This approach puts more emphasis on the globalization of economy and is based on the theory of global system and free market investment all around the world, merging of markets, national governments and technologies and providing faster and cheaper access of nations, governments, companies to places all over the world (Friedman, 2000:38). Fokoyama and Huntington are among the representatives and advocates of this dimension of globalization who identify globalization as a process leading to evolution and generalization of modern capitalism because victory of the open

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economy leads to the development of information and communication facilities and consequently makes them free from burdens of traditional society and helps them enter a democratic society.

On the whole, the economic dimension of globalization is more complicated than other dimensions. In addition; in comparison with other dimension of globalization it is old. In fact, the first dimension of globalization which was considered theoretically and operationally was the economic dimension. In fact, having considered the economic dimension of globalization, other dimensions began to be theorized (Kranser, 1998:28). In fact, from this point of view, globalization is the enhancement of reactions and reciprocal dependence among people of the world and also removal of some government limitations such as inter government redeployment in order to make free and integral world economy (Robertson 12:2002). As opposed to the reduction of the power of government, nations developed new generation of computers which made the free exchange of goods, services, and thoughts possible. These are indexes identifying globalization and realization of world situation (Salimi 73:2001). Concerning the importance, essentiality and functions of globalization two completely different and even opposite approaches have been proposed by different intellectuals. Some view globalization from the opposite point of view and have negative and even destructive views toward it and others have positive and accordant interpretation about globalization concepts, driving forces, its consequents and results and consider it as a global opportunity.

Advocates; view globalization as a process rather than a project which leads to the development of civil liberties, democracy, economic services, capitals, ideas, human beings, solving political and social conflicts, realization of global peace and security, reduction of local and government powers and finally happiness of all human beings.

While critics and opponents, analyze globalization from the point of view of conspiracy theory and consider it as international and global conspiracy having the following consequents: instability and unfair distribution of the global economic wealth, development of class and social gap, increased distance between colonist and capitalist countries and oppressed and third world countries, which have the primary role of providing raw materials and labor force (89:2006, Kish). In this article, we will compare economic growth procedure of some countries with that of Iran to determine effects of globalization on economic growth of these countries.

Theoretical Principles of Globalization and its Relationship with Economic Growth of Countries

Neoliberals believe that the more the economy becomes globalized, the more the manufacturer benefits from goods and manufacturing processes and markets of other countries. Secondly, globalization encourages the development of knowledge and technology and this increases the opportunities for economic growth all over the world (Smith, 443:2004). This means that expanded markets influence knowledge and technology on behalf of developing countries. These countries can gain advantage by creating necessary conditions.

Common understanding of globalization makes it a convergent international process which describes present and future economic facts. The Neoliberal policy introduces tickets or passports to globalized economy (Thomas Klak, 1998:3). Neoliberalism constitutes the body of economic theory and it is also a political posture. The theory of neoliberal claims to be an irregular capitalism system (open – free economy) which not only supposes liberal options for individuals but also achieves better administration of economy with respect to efficiency, economic growth, improvement of technology and fair distribution and also yields a very limited economic role to the government (David M.Koltz, 2002).

Neoliberalism orders include: reduction of trading regulations, privatization of public activity and belongings, elimination or reduction of welfare programs, reduction of taxes on trading of investor class. In international realm; neoliberalism calls free movement of goods, services, capitals, and money to pass the national borders (David M.Koltz, 2002). Market neoliberals believe that government must not oppose the globalization nor try to reduce its speed. These liberals are willing to minimize the intervention of government in global or national market (Smith, 44:2004). Considering these recommendations, we focus on indexes necessary to enter globalization.

1. Government in globalization era

Globalization is challenging the government and forces it to withdraw from center of political and economical activities. This point of view is based on the neoliberal paradigm. It supposes that structural forces (mainly economic) forces the other institutes especially the government to withdraw from its central position of international and internal arena (consultant, 317:1383). Many of liberals believe that dependency of global economy eliminates the government centrality and international collaborations and organizations which are generated as a result of convergence and have started competing with governments to dominate the world (Ghavam, 138:2005)

2. Foreign direct investment

Foreign direct investment (FDI) is considered as one of the other components of globalization process. It has two basic privileges. First, the investor rather than the host government gets the risk. Second, one of the important issues in developing countries is the transfer of technology. Basically foreign direct investment needs the transfer of technology (Dadkhah, 145 – 146:2003).

The most important effects of investment flow which has prepared the necessary conditions for globalization are as following:

- It has increased competition among different regions, investment conditions have improved.
- It has led to competition of monetary authorities of government, so that they can have better control on monetary issues.
- It increases competition between loan borrowers, so that they could increase their validity and have better management on dept
- It has led to competition of nations so that they prefer free economy and economic conditions have improved through privatization, deregulation, and liberalization.
- It has led to competition of markets for more occupation, and creating flexibility in an individual system has led to better labor force management at agency level.
- The generated competition has been in direction of establishing democracy in countries (Behkish, 34:2006). Therefore, creating free space to make capitals flow freely at the international level has led to harmony and convergence in economic policies of the countries, thus globalization trend and procedure is facilitated.

3. Privatization

One of the most important components of globalization is preparing and creating a good condition for privatization development. Regarding Adam Smith theory of free market economy, government must produce goods (general goods) which the private sector is not interested in producing or it can't afford its production costs.

Thus, the purpose of reducing confirmations of government is to return power and identity to the structure of government, strengthen private sector, and encounter regional competition. In fact, this movement is a versatile solution to fulfill the following purposes:

- a) Strengthening government in policy-making areas
- b) Strengthening the private sector to increase the index of productivity
- c) Positive attitude towards centrality of human role in direction of improvement
- d) Excelling the situation for effective presence in global trading (Abiri, 234:2006)

4. Economic liberalization

Economic liberalization means the movement of economic system towards externalism and the expansion of global trading and marketing. From this point of view, economic liberalization leads to the diversity of national exports, formation of production based on relative benefit and dynamism, movement, and motion due to market competition.

5. Competitiveness

Competitiveness of internal economy is an essential issue for capable presence in global economy and positive interaction with globalization. Thus, corrections and reforms considered by neoliberals can be treated as means of joining the process of economic globalization in line with reduction of government role and providing diversity to decision makers in political and economic aspects of internal and foreign sectors.

Economic Growth and its Trend in Iran in Comparison with Some Countries

Economic growth is an increase in the production capacity of a country compared from one period of time to another. At macro-level, an increase in a country's gross national product (GNP) or gross domestic product (GDP) in one year compared with the GNP or GDP in the previous year is considered economic growth.

Table 1. *Established Oil Stocks in 2006*

country	Iran	Saudi Arabia
2006	138.400	264.251

As indicated in Table (1), established oil stocks in Iran and Saudi Arabia equal 264.251 and 138.400 respectively. Similar political, economic, and government structure of these countries has constricted the competitive economy for non-public sectors and has decreased the activity of private sectors. It seems that the economic growth of these counties in world system is shown by the activity of private sectors and creating competition.

Table 2. *GDP per capita measured in dollars*

Iran	Saudi Arabia	OPEC
3.057	14.770	3.128

Table (2) indicates that the per capita of GDP measured in dollars in Saudi Arabia and Iran equals 14.770 and 3.057 respectively. In these countries, oil export constitutes the main part of exports and the growth of their

economy depends on oil exports but they didn't have much success in manufactured and industrial exports by earning revenue through oil exports.

In foreign investment trend, the history of countries located in East Asia indicates that industrial exports can be increased by focusing on outward-looking strategies, participating in foreign direct investment to apply modern technology for producing goods and improving their quality. For example, according to some researches, attracting FDI to Iran depends on a series of structural reforms, e. g., liberalization of foreign trade and the flow of entering FDI, tax reforms, employment regulations, investment guarantees, transfer of profit made in Iran, and clarifying policies of attracting FDI (Kazerooni, 2003: 102)

Comparing internal validity for private sectors in some countries

It seems useful to consider the internal validity for presence of private sectors in these countries and to compare this amount with that of some other countries. According to Table (3), internal validity for private sectors refers to loaning, purchasing **non-borrowed securities**, business credits, and other accounts receivable which make no claims for repayment.

Table (3): *internal validity for private sector*

country/region	Internal validity for private sector (the percentage of GDP)	
	1990	2005
Iran	33.8	40.9
Saudi Arabia	54.7	53.9
China	87.7	114.4
Singapore	97	101.7
Denmark	51.2	171.1
Middle East and north of Africa	35	39.9
East Asia and Pacific	73.9	101.1

Table (3) indicates that the number of private sectors in Denmark has tripled during 1990 to 2005 and in East Asia and Pacific has increased to more than 1.5 times and then you can see good improvement and development in China and Singapore; however, for countries like Iran, Arabia, Middle East and north of Africa there isn't any remarkable improvement. With this competitive condition in private sector, economic growth in global arena and competitiveness is difficult for countries like Iran, Arabia, Middle east and north of Africa in which, in addition to extreme export of oil they must be globally successful in economic liberalization. This decision at macro-level indicates that they will employ free market mechanism.

Advocates of Globalization and Economic Growth of countries

By presenting some evidences from Asian countries such as China, Taiwan, Hong Kong and etc, advocates of globalization believe that countries joining this process benefited more from economic growth and have taken successful measures to reduce inequality and poverty compared with those emerging in global economy. In 1990s, these countries had per capita growth of 5%. While rich countries had per capita growth of 2%. Many poor countries are eliminated from globalization process. Many of countries are in edge of global economy in which most of them face poverty and reduction of income (World Bank, 2002:25).

The World Bank (2011) announced that the average rate of economic growth equals 3.3%. This report has predicted that the average rate of economic growth in 2012 will be 3.6%. In 2010 the World Bank stated the average rate of economic growth was 3.9%. According to Iran Asr report, the average rate of economic growth of countries located in East Asia and Pacific Ocean in 2010 has been reported 9.3%. In this report, the average rate of economic growth of China is predicted to have the greatest amount and this country will have the economic growth rate of 8% and 7.8% in 2011 and 2012 respectively (<http://www.mellatonline.ir>).

From 1987 to 2000 the poor population of china has decreased from 250 million (30.7%) to 32 million (4.7). If the population growth is also included, it can be concluded that china has gained success in decreasing poverty to 10 times (Albert, park and el at, 2001:385). The results of a research conducted in Vietnam were indicative of the fact that the conditions of 98% of the poorest households have improved during 1980s. This improvement included not only an increase in income but also a decrease of child labor and increase of their registration at schools (World Bank, 2002:25).

Critics of Globalization and Economic Growth

From the point of view of opponents and critics, globalization has resulted in a relative decrease of absolute poverty in countries merging in global economy. However, if inequity approach is used in defining poverty, globalization has led to an increase in poverty because one of the reflections of the open door policy is to increase

inequity among different people, groups, and regions of the country. Dennis (2002) states that globalization and the policy of open doors led to an amazing increase in China's foreign investment but this investment influenced coastal provinces rather than internal provinces.

The World Bank in its latest report projected the economic growth in different countries, and estimated economic growth rate in Iran one quarter of average economic growth in developing countries. According to the reports of World Bank, this international institution announced that Iran's economic growth rate in 2010 was only 1.5% while the average rate of economic growth in developing countries was 6%. (<http://www.mellatonline.ir>)

Pakzad (2010) in the article entitled "Iran's severe damage from worldwide crisis" asserted that a drop in Iran's economic growth was equivalent to the most crisis-ridden economies of the world. According to Table (4), Iran's economic growth at the height of the crisis in 2009 shows a decrease of 6.3% compared with economic growth in 2007 before the crisis reaches at the highest level, i. e., a drop in economic growth was equivalent to 1.5% and this happened despite the fact that the world oil price rose dramatically in 2008.

Table (4): *comparison of economic growth rate in eight countries*

0.52	4.5	9.03	8.50	9.01	13.01	China
3.26	4.6	0.90	-2.36	0.32	2.26	France
5.63	7.8	0.34	-5.30	1.25	2.52	Germany
0.70	6.3	2.18	1.48	2.51	7.83	Iran
7.05	7.7	1.68	-5.37	-0.71	2.34	Japan
2.53	6.5	2.36	-0.17	7.41	6.34	Emirate
5.29	6.9	0.91	-4.39	0.74	2.56	England
4.25	4.9	1.52	-2.73	0.44	2.14	USA
Resource: international monetary fund						

Resource: stated in Pakzad (2010) retrieved from <http://www.Khabaronline.ir>

On the other hand, the period of passing through economic crisis indicates growths forecasted by international monetary fund in 2010 was indicative of the fact that the growth occurred in years between 2009 and 2010 in Iran's economy was just 7%. While the examination of the Economic growth of eight countries indicates that Iran's economy which has experienced intense collapse and simultaneously encountered global economy crisis, will have a long period of recovering.

Conclusion and Making Some Suggestions:

The Economic state of developing countries in the process of globalization is completely dependent on the amount of developments in these countries and their economic policies, accommodations and structural facilities. Therefore we observe that some countries in East Asia which have suitable conditions in this area benefited from significant economic growth and development in recent decades. However, most of poor and developing countries of the world face a situation in which merging in global economy will have no result but increasing inequality and poverty due to internal problems such as instability of political security, civil wars, inefficiency of administrative systems, wrong economic policies,... . Actually execution of targeting the subsidies and increase of expenses due to increase of energy expenses will make Iran's economy face a shock and if this program is executed for 2 or 3 years, each year will have its own economic inflation and in case we experience economic supplement policies such as government's support of production, reduction of import and improvement of trading system, then gradually we will observe economic growth higher than linear procedure. On this basis the following solutions and procedures are presented:

- 1- Regarding the influence of globalization on economic growth; improvement of international trading, especially reduction of tariff and non tariff obstacles for goods of poor countries and priority of availability to markets of developed countries will lead to economic growth of these countries.
- 2- In area of the economic growth of countries, facilitation of availability of developing countries to global general benefits, especially new technologies for agriculture, health and education, with suitable condition for reduction of poverty is offered.
- 3- Fast transfer of communication and information technology to developing countries and filling the digital gap (electronic trading and information society) will lead to faster economic growth in these countries
- 4- Regarding the role of global organizations in globalizing the economy such as World Bank; strengthening international monetary structure, in a way that it decreases the risk of cost reduction and monetary crisis for poorest and most vulnerable countries of the world is offered.

- 5- Facilitating the access of the developing countries and poor countries to loans and other global valid sources in order to build small and medium factories, with user technology leading to enhancement of entrepreneurship and power of competing in exporting area.
- 6- Regarding the role of investing in global economic growth, accurate management of marketing and investing as an optional solution to global markets and operational support of potentially successful industries with intervene in industrial issues and management of foreign investor are offered.
- 7- Governments must make an attempt to establish stable economy for activities of private sectors by creating suitable conditions and must provide warranty of executing the contracts and provide arrangement and security for the activity of companies by supporting the laws and regulations and clarifying.
- 8- Economic liberalization of countries, in contemporary global economy, governments must reduce their authorities in liberating the activities of private sectors (internal and external) and try to retain openness of borders for export and import and passing of active traders so that this responsibility helps governments to make quick decisions in order to benefit from world economy and increase the effective control by removing unnecessary restrictions and constricts.
- 9- Improving conditions leading to effective presence in global trade and creating suitable economic environment and compatibility between macro economic-agency policies and harmony and coordination of these policies with international policies.
- 10- Releasing foreign trade and FDI, tax reforms, investment guarantees, transfer of profit made in Iran, clarifying policies for attracting FDI, taking group actions, and joining economic regional groups, increasing the power of competition in international arena. Therefore, poor and developing countries achieve more bargaining power in international transactions.

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