

In addition, the Iranian Ministry and the Veterinarian Organization of Iran agreed in November 2003 to the import of Canadian cattle. Discussions to finalize arrangements are under way.

Processed Food

High tariffs have been established for some processed food products. Canada will continue to seek reductions in these tariffs, as well as the elimination of non-tariff barriers including the following:

- Requirements that exporters must have a local agent or distributor.
- Entry processes under which cargoes of processed food sit at the port of entry while food and drug laboratories analyze samples, a process that can take up to three weeks. To overcome this barrier, a local agent or distributor can pay to have two health inspectors visit the manufacturing facility in the country of origin in order to issue a permanent warrant for the import of that product.

Local Content

As Iran attempts to address record unemployment, it has established a local content requirement for imports of almost all goods. In addition to creating employment, this requirement is designed to encourage transfer of technology.

Genetically Modified Organisms

Iranian authorities have not passed any laws regarding the production or import of products based on genetically modified organisms (GMOs), and the government continues to welcome any information from North American and European countries on their experience with GMO issues. However, Iran does not allow the import of living modified organism (LMO) products such as canola GMO sowing seeds. The responsible bodies in Iran for issues concerning GMOs and LMOs are the Ministry of Jihad-Agriculture, Ministry of Health and the Environment Organization of Iran.

Automobiles

The Iranian government has implemented a series of measures designed to reduce extreme pollution in large cities such as Isfahan, Mashhad, Shiraz, Tabriz

and Tehran (mainly caused by emissions from aging vehicles), as well as to cut the import of petroleum by reducing fuel consumption. These measures include removal of the existing ban on the import of new motor vehicles. However, despite the designation by the Iranian Customs Office of four entry points for imported vehicles, this policy has not yet been implemented, as the customs authorities have yet to receive a directive from either the Ministry of Commerce or the government to start the procedures. In addition, in order to protect the position of domestic vehicle manufacturers such as the giant Iran Khodro and SAIPA firms, the government has instituted very high tariffs on imports.

IMPROVING ACCESS FOR TRADE IN SERVICES

Despite recent improvements, doing business with Iran still poses many challenges. Since 80% of the economy is state-owned, the client is often the Iranian government or government agencies. Such clients have procurement policies that can be prone to bureaucratic complexities that lengthen the negotiating process considerably. Visa issuance for Canadian business people routinely takes several weeks, further slowing the pace of business. Income taxes on individuals stationed in Iran on behalf of foreign firms remain high, creating a significant disincentive to send qualified expatriate staff to the country.

Banking and Financial Services

Foreign banks are permitted to establish 100%-owned branches offering a full range of services only in designated free trade zones in Iran. However, due to the severely restricted market in the free trade zones, foreign participation has not materialized as anticipated. The Iranian authorities are studying proposals to extend the permit system to allow foreign banks to operate on the Iranian mainland as well.

OTHER ISSUES

For Canadian firms in the oil and gas sector, the closing in October 2003 of the Calgary office of Kala Naft (the National Iranian Oil Company's purchasing arm) will mean that marketing and sales efforts must now be conducted directly with the end user in Iran.