Regulation of Foreign Car Imports in the Legal System of the Islamic Republic of Iran

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Abstract

The automotive industry, as an industry that has not only exerted significant influence on the economic and social systems of societies but has also been heavily influenced by them, occupies a crucial role in contemporary economies. In recent decades, automobile imports have been profoundly affected by macroeconomic policies and international relations. This study aims to analyze the regulation of foreign car imports in light of Article 44 of the Constitution, conducted through library-based research. A brief overview of Iran's automotive industry reveals that automobile manufacturing is the most profitable trade in Iran after the oil industry. Among the anti-monopoly laws in Iran, which constitute the foundation of the Iranian competition law system, the Law on the Implementation of General Policies of Article 44 of the Constitution of the Islamic Republic of Iran is of particular importance. The central question of this study is: how is the regulation of foreign car imports structured in light of Article 44 of the Constitution? The primary hypothesis suggests that the regulations concerning foreign car imports, as framed within Article 44, safeguard the rights of foreign car importers but also suffer from deficiencies in this domain. Findings indicate that the scattered distribution of regulatory tools across 23 different institutions has led to inconsistency and lack of policy coherence in this industry. This issue, compounded by the regulatory bodies' focus on price control and trade restrictions—particularly under conditions of external shocks such as sanctions—has resulted in unpredictable regulatory decisions and an unsuitable business environment for industry stakeholders. To prevent such inconsistencies in policy formulation and implementation, it is deemed necessary to develop a comprehensive strategic document for the automotive industry so that all scattered and often inefficient practices may be consolidated into a unified and effective regulatory framework.

Keywords: automobile, regulation, import, Article 44 of the Constitution, legal system, foreign cars

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1. Introduction

The automotive industry holds a central position in the global economy, both as a driver of economic growth and as a reflection of social and technological change. Across industrialized and developing economies alike, the automobile sector has been regarded as a critical industry because of its extensive linkages to upstream and downstream sectors, its vast contribution to employment, and its ability to generate added value at both national and international levels. The automobile is no longer viewed solely as a consumer good; it represents a complex amalgamation of technology, infrastructure, and governance systems that influence energy policies, trade balances, and even environmental sustainability. Global studies have long emphasized that automobile production and regulation are tightly connected to macroeconomic stability, as well as to broader issues of industrial policy and competition law (Biller & Swann, 2006; Meckling & Nahm, 2019).

Within Iran, the automotive industry assumes an even more critical role, not only because it is the country's second-largest industry after oil but also because it has been framed as a strategic national sector with deep political, economic, and social implications. Automobile manufacturing and trade are seen as pathways to modernization and industrial independence, while also being deeply intertwined with global markets and external shocks such as sanctions. The sector's development in Iran has thus been guided by a combination of industrial policy, regulatory oversight, and protectionist measures designed to safeguard domestic producers, often justified under the broader logic of economic sovereignty (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Montazeri Shourkuchali & Zahed Gharavi, 2019).

The historical trajectory of car import regulations in Iran illustrates the delicate balance between protectionism and liberalization. In the early decades following the expansion of the domestic car industry, importation was tightly controlled, with government policy emphasizing import substitution and local production. The Law on Export and Import Regulations provided one of the earliest comprehensive frameworks, aligning with Iran's cautious approach toward trade liberalization and international obligations (Tarem Seri, 1996). Later, as globalization intensified and Iran sought closer integration with international trade systems, particularly during discussions of accession to the World Trade Organization (WTO), policymakers were compelled to reconsider these rigid frameworks. Scholars have pointed out that Iran's regulatory approach has oscillated between facilitating imports to foster competition and consumer choice and restricting imports to shield domestic manufacturers from external pressures (Pasban et al., 2017; Shiravi, 2000).

The 2000s marked a particularly turbulent era in Iranian automotive regulation. On one hand, the government sought to promote privatization and competition in line with the Implementation of General Policies of Article 44 of the Constitution. On the other hand, this policy ambition was undermined by the persistence of monopolistic structures and the overlapping jurisdictions of multiple regulatory bodies. While the law aimed to establish fair competition and curb state dominance, its execution was fragmented and inconsistent, leading to regulatory uncertainty and lack of clarity for importers and consumers (Monavari & Rasekh, 2017; Rasekh & Hosseini, 2016). During this period, foreign car imports were positioned as both a threat and an opportunity: a threat to domestic producers struggling with inefficiency and outdated technologies, and an opportunity for consumers seeking higher quality, safer, and more environmentally sustainable vehicles.

The international context further complicated Iran's regulatory environment. Membership in global trade institutions such as the WTO requires harmonization of domestic import and export regulations with international norms. This often means reducing tariffs, eliminating non-tariff barriers, and ensuring non-discriminatory treatment of foreign goods. For Iran, these requirements generated both hope and apprehension. Analysts have argued that joining the WTO could facilitate the modernization of Iran's automobile industry, but they also acknowledged that the domestic sector, heavily reliant on protective measures, might collapse under open competition (Firoozi, 2005; Ministry of Foreign Affairs, 2011). As such, the government adopted a dual strategy: rhetorically supporting liberalization and international integration, while simultaneously implementing restrictive trade policies and tariffs to sustain domestic producers.

The problem at the heart of this study emerges from the tension between legal mandates for fair competition and economic imperatives to protect local industries. Iranian law, particularly under Article 44 of the Constitution, establishes a foundation for reducing state monopolies and encouraging private sector participation in strategic industries. However, the actual regulatory practices surrounding foreign car imports reveal inconsistencies and contradictions. On one hand, policymakers declare a commitment to fostering competitive markets and aligning with international trade principles. On the other, the fragmented distribution of regulatory authority across 23 different institutions has created overlapping jurisdictions and conflicting policies that hinder both efficiency and predictability (Ameri Shahrabi et al., 2024; Presidential Deputy for Legal, 2012).

This fragmentation has had serious economic consequences. Importers often face opaque processes, unpredictable tariff adjustments, and contradictory requirements from various ministries and agencies. For instance, the Ministry of Industry, Mine, and Trade may authorize a certain level of imports while the Central Bank imposes restrictions on foreign currency allocation, leaving importers in a regulatory limbo. Consumers, meanwhile, bear the brunt of these inefficiencies, facing inflated prices, limited variety, and, in some cases, substandard domestic alternatives. Scholars have consistently noted that regulatory uncertainty, combined with heavy-handed state intervention, produces a business environment that discourages innovation and investment (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Khandouzi, 2010).

Beyond institutional fragmentation, there are deeper normative conflicts between Iran's constitutional and legislative framework and its economic policy objectives. While the Constitution and Article 44 seek to promote private enterprise and dismantle monopolistic structures, in practice, the state retains a dominant role in the automobile sector, often intervening to protect state-affiliated manufacturers. This contradiction undermines both legal coherence and economic efficiency. Moreover, the regulatory emphasis on price control and trade restriction, particularly during times of external shocks such as international sanctions, creates an environment of unpredictability that further erodes consumer confidence and weakens the broader market (Montazeri Shourkuchali & Zahed Gharavi, 2019; Rasekh & Hosseini, 2016).

The international dimension of Iran's regulatory dilemma cannot be ignored. The global trend toward liberalization and competition in the automobile sector means that Iranian policies appear increasingly out of step with international norms. Countries that successfully integrated their domestic automobile industries into the global economy—such as Turkey and South Korea—did so by balancing protective measures with gradual liberalization and regulatory alignment with WTO frameworks. Iran's reluctance to pursue such a balanced approach has not only hindered its integration into global markets but has also perpetuated domestic inefficiencies (Bidabadi, 2008; Meckling & Nahm, 2019).

At the core of this research lies the recognition that legal frameworks cannot be divorced from their economic context. Regulations governing foreign car imports in Iran do not merely reflect abstract legal doctrines; they embody the state's attempt to reconcile competing objectives: safeguarding domestic industries, ensuring consumer welfare, attracting foreign investment, and complying with international trade obligations. The central research question guiding this study is therefore as follows: how is the regulation of foreign car imports in the legal system of Iran structured under the framework of Article 44 of the Constitution? This question is particularly pertinent given the contradictions between stated constitutional principles and practical regulatory outcomes.

The hypothesis underlying this inquiry is that while the legal framework, especially under Article 44, formally guarantees the rights of foreign car importers and aims to prevent monopolistic practices, its implementation suffers from serious deficiencies. These deficiencies manifest in fragmented institutional authority, inconsistent enforcement, and contradictory policy objectives. As a result, the rights of importers and consumers remain vulnerable, and the broader objectives of competition and efficiency are undermined.

The objective of this research is to critically analyze the regulatory framework governing foreign car imports in Iran, assess its alignment with constitutional and international principles, and propose pathways toward a more coherent and effective regulatory system. By doing so, this study seeks to contribute both to the academic literature on regulation and competition law and to the practical debates surrounding industrial policy and trade reform in Iran.

2. Theoretical and Legal Foundations

The concept of regulation has long been central to the study of governance, economic order, and legal development. Scholars in law, economics, and political science approach the subject from different angles, yet they converge on the idea that regulation is essentially about shaping behavior within society and the market to achieve broader collective goals. In legal studies, regulation is often described as the formal and institutionalized process through which public authorities establish binding rules, monitor compliance, and enforce standards to ensure the fulfillment of public interest. This formalist perspective emphasizes the authority of the state and the codified norms that emerge from legislative and administrative bodies (Presidential Deputy for Legal, 2012; Rasekh & Hosseini, 2016). In economics, regulation is understood more broadly as any intervention by the state to correct market failures, redistribute resources, or address externalities. This includes instruments such as tariffs, subsidies, price controls, and licensing systems (Biller & Swann, 2006; Khandouzi, 2010). Political science, on the other hand, situates regulation within the framework of power relations, institutional design, and legitimacy, viewing it as a strategy governments employ to balance competing interests in society while maintaining authority and stability (Monavari & Rasekh, 2017).

Within these approaches, scholars have highlighted the distinction between structural and behavioral regulation. Structural regulation refers to state interventions designed to influence the architecture of markets, such as breaking up monopolies, establishing independent agencies, or defining rules for market entry and exit. Its primary goal is to prevent excessive concentration of power and ensure a competitive environment (Ameri Shahrabi et al., 2024; Montazeri Shourkuchali & Zahed Gharavi, 2019). Behavioral regulation, by contrast, addresses the conduct of firms and individuals within an existing market structure. It encompasses policies such as controlling prices, setting minimum safety standards, and regulating advertising practices. In the context of the automotive industry, structural regulation would involve the dismantling of state monopolies in car production, while behavioral regulation would focus on limiting predatory pricing or mandating environmental and safety requirements (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Meckling & Nahm, 2019). The interplay between these two forms demonstrates the dual responsibility of regulatory frameworks: to shape the foundations of markets and to guide the actions of those operating within them.

Building on the general concept of regulation, the notion of regulatory governance introduces a more comprehensive understanding of how rules are created, implemented, and legitimated. Regulation, in its narrower sense, is often reduced to formal legislative acts or executive decrees. Regulatory governance, however, encompasses the broader processes through which multiple actors—including government agencies, quasi-independent bodies, private organizations, and international institutions—participate in the design and enforcement of rules (Monavari & Rasekh, 2017; Rasekh & Hosseini, 2016). This broader view highlights that governance is not simply the top-down imposition of laws but a dynamic interaction between state and society, mediated by institutional arrangements and influenced by global economic systems.

The distinction between regulation and regulatory governance has been increasingly emphasized in comparative scholarship. While regulation is the activity of setting and enforcing rules, regulatory governance refers to the frameworks, procedures, and institutional arrangements that organize and legitimize those activities (Khandouzi, 2010). In practice, this means that a state may have numerous regulatory measures in place but lack effective regulatory governance if institutions are fragmented, overlapping, or prone to capture by vested interests. In Iran, this distinction is particularly relevant because although multiple regulatory instruments exist in the automobile sector, the governance structure is scattered across numerous agencies, undermining coherence and effectiveness (Ameri Shahrabi et al., 2024; Esmaeilipour Masouleh & Sadeghi Niaraki, 2021).

From an international perspective, regulatory governance has evolved under the influence of globalization and supranational organizations. The World Trade Organization (WTO), for example, does not simply dictate trade rules but also requires its members to establish transparent, predictable, and accountable governance structures for managing imports and exports (Firoozi, 2005; Ministry of Foreign Affairs, 2011). Similarly, within the European Union, regulatory governance in sectors such as energy, telecommunications, and automobiles is organized around independent agencies that act at arm's length from direct political control, ensuring both market efficiency and consumer protection. These global experiences suggest that the effectiveness of regulation depends less on the volume of rules and more on the quality of governance structures that enforce them (Bidabadi, 2008; Meckling & Nahm, 2019).

The Iranian legal framework for economic regulation, especially in the context of foreign car imports, is anchored in Article 44 of the Constitution. Historically, Article 44 was designed to delineate the boundaries between the state, cooperative, and private sectors in Iran's economy. It vested ownership of large-scale industries, such as oil, energy, and major transportation, in the public sector while allowing space for cooperative and private initiatives in other areas. Over time, however, the interpretation of Article 44 has evolved in response to economic challenges and policy shifts. In the early 2000s, the Implementation of General Policies of Article 44 marked a turning point, signaling the government's intent to reduce its monopolistic role and promote privatization and competition (Rasekh & Hosseini, 2016; Shiravi, 2000).

This reinterpretation of Article 44 was intended to transform Iran's economic order by empowering private actors and dismantling monopolies. In practice, however, the outcomes were uneven. While some sectors saw increased private participation, others, including the automobile industry, remained dominated by state-affiliated enterprises. The persistence of state influence, coupled with overlapping regulatory authority, created a paradox: although Article 44 was framed as a tool for liberalization and competition, its implementation often reinforced monopolistic structures. Scholars have noted that without the necessary institutional reforms and consistent enforcement mechanisms, the transformative potential of Article 44 remains unrealized (Ameri Shahrabi et al., 2024; Esmaeilipour Masouleh & Sadeghi Niaraki, 2021).

The role of Article 44 in privatization and competition law also extends to its interaction with consumer protection and trade policies. In theory, privatization under Article 44 should have opened markets, reduced barriers to entry, and enhanced the rights of importers and consumers. Yet the fragmented governance of car imports has meant that foreign car importers often face legal uncertainty, inconsistent tariffs, and unpredictable regulatory shifts (Khandouzi, 2010; Montazeri Shourkuchali & Zahed Gharavi, 2019). This divergence between legal principle and practical implementation raises serious concerns about the credibility of Iran's competition law regime and its alignment with international standards.

Anti-monopoly laws and competition principles in Iran provide further insight into this gap. The Implementation of General Policies of Article 44 has been described as the cornerstone of Iran's competition law framework, aiming to prevent the abuse of market power and ensure a level playing field (Presidential Deputy for Legal, 2012; Rasekh & Hosseini, 2016). Yet the concentration of authority within state-affiliated firms and regulatory bodies often undermines these objectives. For example, even when the Competition Council or related agencies attempt to regulate pricing or market access, their decisions may be overridden by political or economic considerations. This creates a cycle in which competition law exists on paper but fails in practice to curb monopolistic behavior (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Montazeri Shourkuchali & Zahed Gharavi, 2019).

Comparative insights from WTO and GATT rules highlight how Iran's regulatory framework diverges from global best practices. Under the WTO system, member states are required to avoid discriminatory trade policies and ensure transparency in tariff and non-tariff measures. Article XI of the GATT, for example, prohibits quantitative restrictions on imports and exports, allowing only tariffs as legitimate instruments of trade regulation. Moreover, WTO members are obligated to gradually reduce tariffs and harmonize domestic laws with international norms (Bidabadi, 2008; Ministry of Foreign Affairs, 2011). In contrast, Iran's reliance on ad hoc restrictions, opaque licensing systems, and politically motivated trade bans places it at odds with these principles. While protective measures may serve short-term objectives such as safeguarding domestic manufacturers, they often lead to higher consumer costs, reduced market efficiency, and diminished competitiveness of local industries in the long run (Firoozi, 2005; Tarem Seri, 1996).

The failure to align anti-monopoly and competition principles with international frameworks also has broader implications for Iran's economic integration. Countries such as Turkey and South Korea illustrate how gradual alignment with WTO standards can stimulate domestic industries while fostering global competitiveness. In contrast, Iran's fragmented and inconsistent approach has prevented it from reaping similar benefits, leaving its automobile industry vulnerable to inefficiency, corruption, and consumer dissatisfaction (Meckling & Nahm, 2019; Pasban et al., 2017).

Taken together, these theoretical and legal foundations illustrate the central paradox in Iran's regulation of foreign car imports. While legal principles such as Article 44 and competition law aim to foster liberalization, privatization, and consumer protection, the institutional and governance realities often undermine these objectives. The distinction between regulation and regulatory governance highlights why formal legal frameworks, however ambitious, cannot achieve their intended goals without coherent institutional design and effective enforcement mechanisms. Comparative insights further underscore the importance of aligning domestic policies with international trade norms to ensure competitiveness and sustainability in the automotive sector.

3. Regulatory Institutions in Automotive Imports

The governance of foreign automotive imports in Iran involves a complex web of institutions, each with its own legal mandates, policy objectives, and regulatory instruments. Unlike some countries where a single ministry or independent regulatory authority oversees automobile imports, the Iranian system distributes authority across 23 institutions. This fragmentation has profound consequences for policy coherence, transparency, and efficiency, and has been one of the main obstacles to creating a predictable and competitive business environment. Mapping these institutions and their respective roles provides a necessary foundation for understanding how regulatory overlaps and institutional rivalries complicate automotive import policy.

At the core of automotive regulation is the Ministry of Industry, Mine, and Trade, which serves as the principal policymaker for industrial and trade affairs. The ministry is responsible for setting strategic goals for the automobile industry, drafting regulations for imports, issuing licenses, and coordinating industrial development programs. As the government's central industrial authority, the ministry has historically emphasized protection of domestic manufacturers, often framing restrictions on imports as necessary measures to safeguard national industry and employment. Scholars have noted that the ministry's dual role as both promoter of domestic industry and regulator of imports produces inherent conflicts of interest, as policy decisions often privilege producers over consumers (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Montazeri Shourkuchali & Zahed Gharavi, 2019).

The Central Bank of Iran plays another critical role by controlling the allocation of foreign currency for importers. No importer can operate without access to hard currency, and the bank's authority to grant or withhold foreign exchange makes it a de facto regulator of the entire process. The Central Bank's monetary policy, driven by the country's broader fiscal challenges and responses to sanctions, often results in restrictions on the availability of foreign currency for importers. This creates delays, unpredictability, and in some cases, selective allocation that favors politically connected actors (Ameri Shahrabi et al., 2024; Khandouzi, 2010).

The Customs Administration has responsibility for enforcing import laws at the border, calculating duties, and monitoring compliance with tariffs and regulations. It also enforces restrictions on prohibited imports, such as cars with engines larger than 2500cc during certain regulatory cycles. Customs is supposed to operate as a neutral enforcement agency, yet in practice, its discretionary powers can become a source of unpredictability. Delays in customs clearance, disputes over valuation, and inconsistent application of exemptions contribute to inefficiency and raise the cost of importing vehicles (Presidential Deputy for Legal, 2012; Tarem Seri, 1996).

Another institution with formal authority in this sector is the Competition Council, created under the framework of the Implementation of General Policies of Article 44. The council was designed to ensure fair competition and prevent monopolistic practices. In theory, it should provide a counterweight to state dominance by regulating pricing and overseeing market structure. However, the council's independence has been questioned, as political and economic pressures often limit its ability to enforce decisions effectively. For instance, attempts by the council to regulate automobile pricing have repeatedly clashed with the interests of state-affiliated manufacturers, leading to stalemates and diluted enforcement (Monavari & Rasekh, 2017; Rasekh & Hosseini, 2016).

Beyond these core bodies, numerous other institutions intervene in automotive imports. The Standards Organization is responsible for ensuring compliance with safety and environmental standards, while the Environmental Protection Agency oversees emissions and related environmental requirements. The Ministry of Finance, through its tax authorities, influences the cost of imports via duties and levies. The police and traffic authorities are involved in vehicle registration and compliance monitoring once cars enter the domestic market. Parliamentary committees also exert influence by debating trade laws and industry regulations, often reflecting political or ideological considerations rather than coherent economic strategy (Ameri Shahrabi et al., 2024; Esmaeilipour Masouleh & Sadeghi Niaraki, 2021).

The multiplicity of regulatory bodies inevitably creates overlaps and contradictions. For instance, the Ministry of Industry may approve a specific import policy, but its implementation can be blocked or delayed by the Central Bank's refusal to allocate currency, leaving importers in a legal and financial limbo. Similarly, the Competition Council may call for liberalization to enhance consumer choice, while the Ministry of Industry continues to impose restrictive tariffs to protect domestic producers.

Customs, in turn, may enforce one set of rules based on its interpretation of legal mandates, creating additional layers of uncertainty (Montazeri Shourkuchali & Zahed Gharavi, 2019; Pasban et al., 2017).

This institutional fragmentation results in inefficiency and unpredictability. One notable case is the recurrent conflict between the Competition Council and the Ministry of Industry over automobile pricing. The council has argued that prices should be set through competitive mechanisms reflecting production costs and consumer demand. The ministry, however, has frequently intervened to impose price ceilings in the name of social protection, undermining both consumer confidence and the council's legal authority. Importers caught in the middle face constantly shifting rules, with some shipments approved under one regime only to be restricted under another (Ameri Shahrabi et al., 2024; Rasekh & Hosseini, 2016).

Another example of conflict involves the Central Bank's restrictions on foreign exchange. Even when the Ministry of Industry authorizes imports, the lack of access to currency can effectively nullify the authorization. Importers often resort to informal financial networks to secure currency, raising costs and exposing themselves to legal risks. The contradiction between legal permits and financial restrictions epitomizes the incoherence that characterizes the governance of automotive imports in Iran (Firoozi, 2005; Khandouzi, 2010).

Institutional overlaps also create fertile ground for rent-seeking and lobbying. When multiple agencies control different aspects of the import process, each with discretionary power, importers are incentivized to cultivate political connections or engage in informal negotiations to secure favorable treatment. Scholars have noted that such conditions erode the legitimacy of regulatory institutions, as decisions appear arbitrary and driven by political influence rather than transparent rules (Bidabadi, 2008; Esmaeilipour Masouleh & Sadeghi Niaraki, 2021). This not only undermines the efficiency of the import system but also discourages fair competition, as well-connected firms are advantaged over smaller or independent importers.

The effectiveness of regulatory institutions can be assessed through criteria such as transparency, predictability, and efficiency. On transparency, Iranian institutions often fall short, as rules are not always publicly available or are subject to sudden revision without adequate notice. For example, tariff rates may change overnight, and new restrictions may be announced through administrative decrees rather than legislative processes, leaving importers unprepared. Predictability is further undermined by the absence of stable long-term policies. Import regulations are frequently adjusted in response to political pressures, external shocks, or short-term economic objectives, creating a volatile environment that discourages investment (Meckling & Nahm, 2019; Tarem Seri, 1996). Efficiency, meanwhile, is compromised by the overlapping jurisdictions of 23 institutions, which produce duplication of efforts and conflicting mandates. Instead of streamlining the process, the system burdens importers with multiple approvals, inspections, and payments, increasing costs and delays (Ameri Shahrabi et al., 2024; Presidential Deputy for Legal, 2012).

Rent-seeking and lobbying further exacerbate inefficiencies. The discretionary authority held by institutions such as the Ministry of Industry and the Customs Administration provides opportunities for selective enforcement. Import licenses, for example, may be granted to certain firms under opaque conditions, while others are denied without clear justification. This fosters perceptions of corruption and reduces trust in the regulatory system. Moreover, lobbying by powerful domestic manufacturers often leads to protectionist policies that privilege their interests over those of consumers and independent importers (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Montazeri Shourkuchali & Zahed Gharavi, 2019).

The problem of inconsistent enforcement also undermines institutional credibility. Even when sound laws exist, their application may vary across agencies or even across different offices within the same institution. For instance, customs officials at one port may interpret valuation rules differently than their counterparts at another, creating discrepancies in import costs and procedures. This inconsistency not only raises costs but also erodes legal certainty, a cornerstone of effective regulatory governance (Monavari & Rasekh, 2017; Rasekh & Hosseini, 2016).

The cumulative effect of these institutional weaknesses is a regulatory environment that is neither conducive to competition nor supportive of consumer rights. Instead of providing a stable framework that balances the interests of producers, importers, and consumers, the current system reinforces inefficiencies and fosters distrust. While Article 44 of the Constitution and related competition laws were intended to promote privatization and fair competition, the persistence of fragmented institutions and overlapping mandates has prevented these goals from being realized. Comparative insights from other countries suggest that consolidating regulatory authority within fewer, more independent bodies could significantly improve coherence and effectiveness (Bidabadi, 2008; Firoozi, 2005).

Ultimately, the analysis of Iran's regulatory institutions in automotive imports highlights the central paradox of its economic governance. The state proclaims its commitment to competition, efficiency, and consumer protection, yet its institutional design and regulatory practices continue to privilege monopolistic interests, foster uncertainty, and encourage rent-seeking. The research objective in this context is to demonstrate that reforming the institutional framework is as crucial as amending legal texts. Without coherent and transparent governance, even the most progressive competition laws will fail to achieve their intended outcomes. This study argues that achieving efficiency, predictability, and fairness in automotive imports requires not only legal reforms but also a fundamental restructuring of regulatory institutions.

4. Comparative and International Perspectives

The regulation of automobile imports has always been closely linked to the global trade regime, particularly the rules established by the World Trade Organization (WTO). The WTO provides a framework that shapes how countries manage tariffs, non-tariff barriers, and trade-related measures in the automotive sector. Under the General Agreement on Tariffs and Trade (GATT), quantitative restrictions on imports are prohibited, with tariffs considered the primary and legitimate tool of trade regulation. This principle ensures that member states cannot arbitrarily block imports but must instead rely on transparent and predictable tariff schedules. Non-tariff barriers, such as licensing systems, technical standards, and administrative restrictions, are permitted only if they are consistent with WTO rules and not applied in a discriminatory manner (Bidabadi, 2008; Ministry of Foreign Affairs, 2011). The WTO's dispute settlement system further enforces compliance by allowing member states to challenge measures that restrict automobile imports in violation of agreed commitments.

For automobile trade specifically, the WTO rules emphasize the importance of transparency, predictability, and fairness. Technical standards, for instance, must be harmonized with international benchmarks to prevent their misuse as disguised trade barriers. The Agreement on Technical Barriers to Trade (TBT Agreement) requires that automotive safety and environmental standards be based on scientific evidence and applied equally to domestic and foreign producers. Similarly, the Agreement on Subsidies and Countervailing Measures restricts the use of government subsidies that could unfairly advantage domestic carmakers at the expense of foreign competitors (Firoozi, 2005; Tarem Seri, 1996). For Iran, these provisions are highly relevant, as its frequent reliance on administrative prohibitions and ad hoc licensing restrictions for foreign car imports diverges from WTO norms and risks undermining consumer confidence as well as international integration.

South Korea offers an instructive case study in how a country can transition from a highly protected automotive market to one aligned with global trade rules while still nurturing domestic producers. In the early decades of its automotive industry, South Korea imposed strict limits on foreign car imports to shield Hyundai, Kia, and other national companies from competition. These measures included high tariffs, import quotas, and technical restrictions. However, as South Korea pursued membership in the WTO and integration into global markets, it gradually liberalized its trade regime. Tariffs were reduced in line with WTO commitments, while non-tariff barriers were streamlined through transparent standards and predictable regulatory procedures (Biller & Swann, 2006; Meckling & Nahm, 2019). Crucially, the government coupled liberalization with strong industrial policy, investing in technology development, workforce training, and global marketing strategies for domestic firms. The result was not the collapse of domestic producers but their transformation into competitive global players capable of exporting worldwide.

Turkey's experience provides another valuable comparison, particularly given its geographic, cultural, and economic similarities to Iran. Historically, Turkey also adopted protectionist policies to nurture its domestic automobile industry, relying on tariffs and restrictions to limit foreign competition. However, Turkey's alignment with the European Union Customs Union in 1996 required it to adopt EU rules on tariffs, competition, and technical standards. This shift meant eliminating most quantitative restrictions and harmonizing safety and environmental regulations with EU directives (Pasban et al., 2017; Shiravi, 2000). The transformation was not without challenges, as domestic firms initially struggled to adapt to the new competitive environment. Yet the long-term impact was positive: Turkey's automobile industry became a significant exporter to European markets, with companies like Tofaş and Ford Otosan integrating into global supply chains. The lesson from Turkey is that regulatory harmonization with international systems can create opportunities for domestic industries to expand globally, provided that complementary policies support technological upgrading and competitiveness.

China presents a third case study, distinguished by its massive domestic market and strategic use of regulation to balance openness with industrial development. Unlike South Korea and Turkey, China adopted a model of controlled liberalization, allowing foreign automakers to enter the domestic market only through joint ventures with local firms. This policy ensured technology transfer, capacity building, and gradual strengthening of domestic companies. At the same time, China reduced tariffs in accordance with WTO commitments following its accession in 2001, signaling its willingness to comply with global trade rules (Bidabadi, 2008; Ministry of Foreign Affairs, 2011). Yet by tying market access to strict conditions, China managed to leverage foreign investment for domestic industrial growth. The policy produced a robust and diversified automobile industry, with companies like BYD and Geely emerging as global competitors while foreign companies such as Volkswagen and General Motors benefited from the scale of the Chinese market.

The comparison of these three cases underscores several key lessons for Iran. First, protectionist policies may serve short-term objectives by shielding domestic producers, but without a clear strategy for eventual liberalization and integration into global markets, such policies often breed inefficiency. South Korea illustrates how gradual liberalization combined with industrial support can transform domestic firms into global champions (Biller & Swann, 2006; Meckling & Nahm, 2019). Second, harmonization with international standards and institutions, as seen in Turkey's integration into the EU Customs Union, can enhance credibility, attract foreign investment, and open export opportunities. For Iran, aligning its regulatory system with WTO norms could facilitate access to global markets and reduce consumer costs, even if it challenges entrenched domestic interests (Pasban et al., 2017; Shiravi, 2000). Third, China demonstrates the importance of designing regulatory frameworks that leverage foreign participation for domestic benefit. Instead of simply opening markets or closing them off, regulatory instruments can be crafted to ensure technology transfer, capacity development, and gradual competitiveness of local firms (Bidabadi, 2008; Firoozi, 2005).

For Iran, the persistent reliance on fragmented regulation and ad hoc restrictions in automotive imports reveals a missed opportunity to adopt a coherent strategy similar to those pursued by these successful case studies. By dispersing authority across multiple institutions and relying on unpredictable restrictions, Iran undermines both domestic industrial development and consumer welfare. Adopting WTO-compatible measures, such as transparent tariffs and harmonized standards, would not necessarily expose domestic producers to uncontrolled competition. Instead, if combined with targeted industrial policies and institutional reform, such measures could strengthen domestic capabilities while improving efficiency and predictability (Ameri Shahrabi et al., 2024; Esmaeilipour Masouleh & Sadeghi Niaraki, 2021).

The broader lesson is that regulatory governance in the automotive sector must balance protection with openness. Excessive protection fosters monopolistic behavior, inefficiency, and consumer dissatisfaction, while premature liberalization can overwhelm domestic producers. The experiences of South Korea, Turkey, and China suggest that the optimal path lies in phased liberalization, accompanied by strong governance, transparent institutions, and coherent industrial policy. For Iran, this means restructuring regulatory institutions, aligning laws with international obligations, and adopting a long-term strategic vision that reconciles the objectives of protecting domestic producers, ensuring consumer welfare, and integrating into global trade. Only by doing so can Iran move from a reactive and fragmented regulatory regime to a proactive system that supports both national industry and international competitiveness.

5. Case Study: Iran's Automotive Regulation under Sanctions

Sanctions have functioned as profound external shocks to Iran's economy, reshaping nearly every aspect of industrial policy, trade regulation, and consumer welfare. The automotive industry, already a sector marked by protectionist measures and fragmented governance, has been disproportionately affected by the imposition of international sanctions. These sanctions disrupted access to foreign currency, curtailed foreign partnerships, and constrained the ability of Iranian regulators to design coherent trade and import policies. Rather than facilitating modernization or consumer protection, regulatory decisions increasingly became reactive, ad hoc responses to the pressures imposed by sanctions. Scholars have highlighted how the dual burden of sanctions and fragmented regulatory institutions exacerbates uncertainty in policy, leaving both importers and consumers vulnerable to arbitrary decision-making (Ameri Shahrabi et al., 2024; Esmaeilipour Masouleh & Sadeghi Niaraki, 2021).

The impact of sanctions on regulatory decisions is evident in the area of import licensing and tariff policies. Licensing, which already required multiple approvals across numerous institutions, became even more restrictive as policymakers sought to manage limited foreign exchange reserves and control consumer demand. The Central Bank, in particular, tightened its grip over currency allocation, forcing regulators to prioritize essential goods over consumer imports such as automobiles. This selective distribution of licenses not only distorted market access but also created opportunities for rent-seeking and favoritism, as well-connected importers were more likely to obtain scarce permits (Khandouzi, 2010; Montazeri Shourkuchali & Zahed Gharavi, 2019). Tariffs, meanwhile, were frequently adjusted to discourage imports and conserve foreign exchange, leading to unpredictability in the cost of imported cars. Importers and consumers faced sudden increases in duties or the imposition of outright bans on particular vehicle classes, decisions that were often justified as necessary responses to external shocks but lacked transparency or predictability (Firoozi, 2005; Tarem Seri, 1996).

Distortions in licensing and tariffs also produced unintended consequences for industrial development. Instead of encouraging efficiency among domestic producers, protectionist barriers allowed inefficient firms to retain market share while consumers bore the burden of reduced choice and inflated prices. Under sanctions, regulators leaned heavily on these restrictions as defensive measures, but their cumulative effect was to entrench monopolistic structures in the domestic industry. This dynamic undermined the stated objectives of Article 44 of the Constitution, which emphasizes competition and privatization, and revealed the gap between legal commitments and practical outcomes (Monavari & Rasekh, 2017; Rasekh & Hosseini, 2016).

Sanctions also influenced the regulatory environment by intensifying reliance on price controls and trade restrictions. Iranian regulators often justified the imposition of price ceilings as necessary to protect consumers from inflationary pressures, especially in the face of rising foreign exchange rates. However, price controls in the automobile sector created legal and economic challenges that undermined both market efficiency and consumer welfare. When regulators set artificial price ceilings, manufacturers argued that production costs could no longer be recovered, leading to reduced supply and further deterioration in product quality. This tension was most visible in the repeated confrontations between the Ministry of Industry and the Competition Council, where the former sought to impose price restrictions while the latter advocated for pricing mechanisms based on production costs and competitive principles (Ameri Shahrabi et al., 2024; Rasekh & Hosseini, 2016).

The legal challenge of price controls lies in their incompatibility with competition principles and consumer rights frameworks. While framed as protective measures, they often result in distortions that disadvantage the very consumers they are intended to help. For instance, the imposition of ceilings on domestic car prices encouraged manufacturers to reduce investment in quality improvements, as profit margins were squeezed. At the same time, the scarcity of foreign alternatives due to import restrictions meant consumers had little recourse to better products. This regulatory paradox illustrates how sanctions amplified the state's reliance on blunt economic tools such as price ceilings, while eroding the rule of law and predictability in regulatory practice (Monavari & Rasekh, 2017; Presidential Deputy for Legal, 2012).

Trade restrictions under sanctions further compounded the problems of regulatory uncertainty. The prohibition of certain vehicle imports, justified on the grounds of conserving foreign exchange or responding to political pressures, produced a patchwork of inconsistent and short-lived policies. For example, vehicles with large engines were periodically banned, not because of environmental concerns but as part of broader attempts to curb foreign exchange outflows. These arbitrary restrictions often lacked clear legal foundations, leaving importers and consumers uncertain about the rules governing their transactions. The result was a legal environment where discretion and political influence overshadowed principles of transparency and non-discrimination, contradicting both domestic legal commitments and international trade norms (Bidabadi, 2008; Ministry of Foreign Affairs, 2011).

The effect of these regulatory distortions on consumer rights has been significant. Consumers in Iran, facing a combination of price controls, limited imports, and monopolistic domestic producers, often found themselves with access only to vehicles of lower quality, inadequate safety standards, and poor environmental performance. Imported cars, when available, were priced far above international benchmarks due to tariffs, scarcity, and the additional costs of navigating opaque regulatory systems.

This dynamic not only diminished consumer welfare but also undermined public trust in regulatory institutions (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Montazeri Shourkuchali & Zahed Gharavi, 2019).

Quality concerns became particularly acute during periods of intensified sanctions. Domestic producers, shielded from international competition by import bans and tariffs, had little incentive to improve their products. Reports of recurring mechanical failures, outdated designs, and substandard safety features became widespread. Consumers who might have turned to imported alternatives were unable to do so due to restrictive regulations. The result was a market dominated by domestically produced vehicles that failed to meet international benchmarks for quality and safety (Ameri Shahrabi et al., 2024; Biller & Swann, 2006).

Environmental standards also suffered as a consequence of sanctions and regulatory distortions. While international frameworks such as the WTO's Technical Barriers to Trade Agreement encourage harmonization of environmental standards, Iran's regulatory environment during sanctions prioritized survival and protectionism over sustainability. Imported vehicles with advanced emissions technology were largely inaccessible, while domestic manufacturers continued to produce cars with outdated engines that contributed to pollution. The lack of regulatory pressure to improve environmental performance, combined with the protective shield of trade restrictions, perpetuated an unsustainable trajectory in Iran's automobile sector (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Meckling & Nahm, 2019).

The issue of consumer rights in this context goes beyond product quality and environmental impact. The unpredictability of regulatory decisions—sudden changes in tariffs, shifting licensing requirements, and inconsistent enforcement—eroded the principle of legal certainty, which is central to the protection of individual rights. Consumers were often unable to make informed purchasing decisions because the regulatory framework was constantly in flux. This unpredictability also discouraged foreign investment and partnerships, as international firms found it nearly impossible to navigate the volatile regulatory environment (Firoozi, 2005; Shiravi, 2000).

The case of Iran's automotive regulation under sanctions demonstrates how external shocks can exacerbate existing institutional weaknesses. Instead of fostering resilience, the fragmented and overlapping governance structure amplified inefficiencies, encouraged rent-seeking, and undermined consumer welfare. Regulatory decisions became reactive and short-term, focusing on controlling immediate economic pressures rather than building a sustainable and competitive automotive sector. The lessons from this case are clear: sanctions expose the fragility of regulatory systems that rely on fragmented authority, protectionism, and arbitrary restrictions. For Iran to move toward a more coherent and effective regulatory framework, it must not only reform its legal and institutional structures but also design mechanisms that ensure resilience in the face of external shocks.

6. Review of Import Laws and Executive Bylaws

The regulatory framework for automobile imports in Iran is built upon a complex body of laws and executive bylaws that have evolved in response to changing political, economic, and international conditions. Each layer of regulation reflects not only legal reasoning but also broader struggles over the balance between protectionism and liberalization, state dominance and market competition, and short-term crisis management versus long-term industrial strategy. A detailed review of these legal instruments is essential to understand both the continuity and contradictions in Iranian trade policy, particularly in relation to the automobile sector.

The Law on Export and Import Regulations, passed in 1993, represents one of the earliest comprehensive attempts to systematize Iran's trade policies after the turbulence of the post-revolutionary years. This law established the legal foundation for defining permitted and prohibited imports, licensing mechanisms, and tariff structures. It emphasized the central role of the Ministry of Industry, Mine, and Trade in overseeing import decisions, effectively granting it a gatekeeping function for all foreign goods. The law sought to balance the need for market access with the protection of domestic producers by allowing the government to restrict imports in sensitive industries such as automobiles (Presidential Deputy for Legal, 2012; Tarem Seri, 1996). At the same time, it introduced certain flexibilities by permitting the government to adjust import policies through annual directives, creating a dynamic yet unstable environment for traders.

Over the years, the 1993 law underwent multiple reforms, reflecting Iran's shifting priorities. Some reforms aimed at reducing bureaucratic hurdles by clarifying licensing procedures, while others sought to tighten control by expanding the list of prohibited goods. The recurrent amendments highlight the difficulty of designing a coherent trade policy in an economy subject to both domestic political pressures and external shocks such as sanctions. Scholars have pointed out that although the law provided an overarching framework, the constant issuance of executive directives undermined its predictability and legal certainty (Firoozi, 2005; Pasban et al., 2017). Importers often had to navigate between the letter of the law and the practical realities dictated by temporary decrees, a dynamic that created opportunities for selective enforcement and rent-seeking.

The Customs Law, reformed extensively in 2011, introduced another critical layer to the regulation of imports. Customs authorities in Iran play a dual role: they enforce tariffs and restrictions, and they act as an intermediary between importers and other regulatory agencies. The 2011 reforms were designed to modernize customs procedures, enhance transparency, and align Iranian practices more closely with international norms. Among the key reforms were the introduction of electronic declarations, the simplification of tariff codes, and the strengthening of enforcement mechanisms against smuggling (Bidabadi, 2008; Ministry of Foreign Affairs, 2011).

In practice, however, the effectiveness of the 2011 Customs Law has been mixed. While the reforms did introduce new technologies and streamlined some processes, inconsistencies in enforcement across different customs offices undermined uniformity. Importers frequently reported discrepancies in tariff assessments, with the same vehicle valued differently depending on the port of entry. Furthermore, customs officials retained broad discretionary powers, which sometimes led to delays and disputes. The Customs Administration also found itself at the intersection of conflicting mandates from other agencies, such as the Central Bank's restrictions on currency allocation and the Ministry of Industry's licensing rules. The result was a regulatory bottleneck where importers had to comply with overlapping and sometimes contradictory requirements (Ameri Shahrabi et al., 2024; Esmaeilipour Masouleh & Sadeghi Niaraki, 2021).

The implementation of Article 44 policies has been particularly significant for the automobile sector, as it was intended to dismantle monopolistic structures and promote privatization. Article 44 of the Constitution, historically interpreted as enshrining the state's dominance in key industries, was redefined in the early 2000s to encourage greater private sector participation. The Implementation of General Policies of Article 44 thus created the Competition Council and introduced legal instruments aimed at curbing monopolies and encouraging fair market practices (Monavari & Rasekh, 2017; Rasekh & Hosseini, 2016). For the automotive industry, this meant that import regulations were supposed to be liberalized in a way that promoted consumer choice and reduced barriers for private importers.

Yet the practical outcomes of implementing Article 44 have diverged sharply from its stated goals. Instead of creating a competitive market, the fragmented institutional landscape ensured that state-affiliated manufacturers continued to dominate. Import licenses remained restricted, tariffs were adjusted unpredictably, and private importers faced bureaucratic obstacles. The Competition Council, though empowered on paper to intervene against anti-competitive practices, often found its authority challenged by the Ministry of Industry, which continued to prioritize the protection of domestic producers. Scholars argue that the implementation of Article 44, while theoretically transformative, has been undermined by the persistence of state dominance and the absence of coherent governance structures (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Montazeri Shourkuchali & Zahed Gharavi, 2019).

Recent executive decrees and trade directives, particularly those issued in the years 1402 to 1404, reveal the extent to which short-term crisis management has overtaken long-term strategy in Iran's automotive import policies. These directives were often motivated by external shocks, such as fluctuations in foreign exchange reserves or intensification of sanctions, and were designed to stabilize immediate economic conditions rather than create a sustainable regulatory framework. For example, certain decrees imposed outright bans on the import of luxury vehicles, justified as measures to conserve foreign currency, while others introduced temporary tariff reductions to encourage specific categories of imports. These abrupt policy shifts exemplify the unpredictability of Iran's regulatory environment (Firoozi, 2005; Khandouzi, 2010).

One of the most notable trends in recent directives has been the increasing reliance on discretionary approvals. Instead of establishing clear and stable rules, many decrees vested authority in ministries or councils to grant case-by-case exemptions. This approach not only undermined transparency but also fostered perceptions of favoritism, as well-connected firms were more likely to benefit from exemptions. Importers lacking political or economic influence often found themselves excluded from opportunities, further entrenching inequality in market access (Bidabadi, 2008; Esmaeilipour Masouleh & Sadeghi Niaraki, 2021).

Another feature of recent executive actions has been the use of trade directives to pursue broader political and ideological goals. Certain decrees linked import restrictions to national identity or cultural arguments, framing the purchase of foreign cars as detrimental to domestic industry and national independence. While such rhetoric resonated with political audiences, it often came at the expense of consumer welfare, as restrictions limited access to safer, higher-quality vehicles. The invocation of nationalist arguments to justify trade restrictions illustrates how legal instruments can be mobilized for political ends, blurring the line between regulatory governance and political discourse (Ameri Shahrabi et al., 2024; Montazeri Shourkuchali & Zahed Gharavi, 2019).

These recent developments underscore the chronic instability of Iran's regulatory framework for automobile imports. Laws such as the 1993 Export and Import Regulations Act and the 2011 Customs Law provide the formal backbone of trade policy, while the Implementation of Article 44 policies articulates broader goals of competition and privatization. Yet the proliferation of executive decrees and temporary directives has eroded the authority of these laws by creating an environment in which short-term political considerations override legal stability. Importers and consumers, caught between shifting directives and inconsistent enforcement, face a regulatory environment characterized by unpredictability and inefficiency (Pasban et al., 2017; Presidential Deputy for Legal, 2012).

The research objective here is to highlight the disjuncture between the formal legal framework and the practical realities of executive decision-making. While Iran has enacted laws that theoretically align with international trade principles and competition norms, the frequent resort to executive decrees undermines predictability and fairness. The experience of recent years demonstrates that without structural reforms to limit discretionary authority and ensure consistent enforcement, the gap between law and practice will persist.

The cumulative effect of these laws and bylaws is a regulatory system that is fragmented, unstable, and prone to capture by vested interests. The Law on Export and Import Regulations remains the foundational text, but its authority is continually eroded by executive directives. The Customs Law, despite its reforms, suffers from inconsistent enforcement. The implementation of Article 44 has yet to deliver on its promises of privatization and competition. And recent decrees have exacerbated rather than resolved the underlying challenges of transparency and predictability. The Iranian automotive import regime thus stands as a case study in how legal frameworks can be undermined by fragmented institutions and short-term political pressures, highlighting the urgent need for comprehensive reform.

7. Challenges and Gaps in Current Regulations

The current regulatory framework governing automobile imports in Iran is characterized by deep structural challenges that undermine its ability to deliver transparency, efficiency, and fairness. Although the legal system contains foundational laws such as the Law on Export and Import Regulations, the Customs Law, and the Implementation of Article 44, the practical application of these instruments has been shaped by fragmented institutions, inconsistent policies, and competing priorities. This has produced a legal and regulatory environment that is unstable, incoherent, and poorly aligned with either international norms or domestic developmental goals. A critical assessment of the gaps in the current system highlights five central issues: fragmentation across 23 institutions, the absence of a strategic vision and unified automotive policy, conflicts between consumer protection and producer protection, the tension between short-term and long-term policymaking, and weaknesses in dispute resolution mechanisms.

Fragmentation across the 23 institutions with overlapping authority is perhaps the most pressing challenge. Instead of having a single independent regulatory authority or a well-coordinated set of agencies, Iran's automotive sector is subject to decisions from ministries, councils, banks, customs offices, and parliamentary committees. The Ministry of Industry, Mine, and Trade is formally responsible for setting industrial and trade policy, but its role is continually undercut by the Central Bank's control over foreign exchange allocation, the Customs Administration's enforcement of tariff and import rules, and the Competition Council's oversight of market structure (Ameri Shahrabi et al., 2024; Esmaeilipour Masouleh & Sadeghi Niaraki, 2021).

This division of authority creates overlapping mandates that not only confuse importers but also create fertile ground for discretionary decision-making and rent-seeking. Importers who obtain a license from the Ministry may still be unable to proceed if the Central Bank refuses to allocate currency, while customs officials may apply rules inconsistently at the border. The resulting complexity erodes predictability, discourages foreign partnerships, and raises transaction costs throughout the supply chain (Khandouzi, 2010; Montazeri Shourkuchali & Zahed Gharavi, 2019).

The fragmentation problem is compounded by the lack of a strategic vision and unified automotive policy. Unlike countries such as South Korea or Turkey, which developed long-term industrial policies to integrate their domestic automobile sectors into global markets, Iran has relied on a patchwork of laws and executive decrees that respond to immediate crises rather than pursuing a coherent long-term strategy. Although Article 44 of the Constitution was reinterpreted to promote privatization and competition, its implementation has been inconsistent, with state-affiliated firms continuing to dominate the sector despite formal commitments to market liberalization (Monavari & Rasekh, 2017; Rasekh & Hosseini, 2016). The absence of a comprehensive policy document that sets out long-term goals for efficiency, consumer protection, environmental standards, and global integration leaves regulatory institutions without clear direction. As a result, executive decrees from 1402 to 1404 have oscillated between restricting luxury imports to conserve foreign exchange and relaxing certain tariffs to stabilize domestic prices, producing instability that discourages both domestic investment and foreign cooperation (Bidabadi, 2008; Firoozi, 2005).

The conflict between consumer protection and producer protection illustrates another structural gap in the regulatory system. Policymakers frequently justify import restrictions and tariffs as measures to protect domestic producers, preserve employment, and ensure national industrial independence. While these objectives carry political weight, they often come at the direct expense of consumer welfare. Consumers face inflated prices, limited access to safer and higher-quality foreign vehicles, and declining product standards in the domestic market. Attempts to impose price ceilings, justified as consumer protection measures, further complicate this dynamic. In practice, price controls discourage producers from investing in quality improvements, while import restrictions prevent consumers from accessing alternatives. This creates a regulatory paradox in which both consumers and producers suffer from distorted incentives: producers are shielded from competition yet unable to achieve global competitiveness, while consumers bear the burden of limited choice and substandard products (Biller & Swann, 2006; Montazeri Shourkuchali & Zahed Gharavi, 2019).

The tension between short-term and long-term policymaking further undermines the effectiveness of the regulatory system. Many of the executive directives in recent years have been issued in direct response to external shocks such as sanctions or currency fluctuations. These short-term measures—such as sudden bans on certain classes of vehicles, abrupt tariff changes, or discretionary licensing approvals—are designed to stabilize the economy in moments of crisis. However, they often undermine the predictability required for long-term investment and industrial planning (Ministry of Foreign Affairs, 2011; Tarem Seri, 1996). Domestic manufacturers cannot plan for technological upgrading when import regulations shift unpredictably, while foreign partners are deterred by the absence of stable rules. This cycle of reactive policymaking entrenches a defensive posture that prioritizes immediate survival over sustainable development, leaving the automobile sector vulnerable to recurring crises rather than resilient to shocks (Meckling & Nahm, 2019; Pasban et al., 2017).

Weaknesses in dispute resolution mechanisms compound these challenges by depriving importers and consumers of reliable avenues for redress. In principle, Iranian law provides for judicial and administrative review of regulatory decisions. However, in practice, the multiplicity of institutions with overlapping authority makes it difficult to identify the responsible body for grievances. Importers challenging currency allocation decisions must appeal to the Central Bank, while disputes over customs valuations fall under the jurisdiction of customs tribunals, and conflicts over licensing or pricing involve the Ministry of Industry or the Competition Council. This fragmented system forces stakeholders to navigate multiple forums, each with limited jurisdiction and susceptibility to political pressures (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Presidential Deputy for Legal, 2012). The lack of an independent dispute resolution body dedicated to competition and trade issues undermines the credibility of the regulatory framework and erodes trust among both domestic and international stakeholders.

Another dimension of this problem is the inconsistency in enforcement, which is closely tied to weak dispute resolution mechanisms. Even when courts or councils issue rulings in favor of importers or consumers, enforcement is often delayed or undermined by political considerations. For example, when the Competition Council attempted to regulate automobile prices in accordance with competition principles, its decisions were frequently contested or ignored by the Ministry of Industry, leading to stalemates and leaving consumers without meaningful protection (Monavari & Rasekh, 2017; Rasekh & Hosseini, 2016). Without a credible enforcement mechanism, legal victories remain symbolic rather than substantive, highlighting the institutional weakness of regulatory governance in Iran.

The cumulative effect of these challenges is a regulatory environment that fails to balance the interests of producers, consumers, and the state in a coherent manner. Fragmentation across 23 institutions creates inefficiency and unpredictability; the lack of a unified strategic vision prevents the pursuit of long-term goals; conflicts between consumer and producer protection distort incentives; short-term policymaking undermines stability; and weak dispute resolution mechanisms erode trust. Together, these gaps explain why Iran's automobile import regime remains unstable, inefficient, and vulnerable to both domestic and international pressures.

The research objective in this context is to demonstrate that reforming the regulatory framework for automobile imports requires more than legislative amendments. It demands structural changes to the institutional design, the creation of a unified strategic policy document, and the establishment of independent and effective dispute resolution mechanisms. Without these reforms, the persistence of fragmented authority, short-termism, and inconsistent enforcement will continue to undermine both consumer welfare and the competitiveness of the domestic automobile industry.

8. Proposals for Reform

The challenges facing Iran's automobile import regime reveal the urgent need for comprehensive reform that addresses not only gaps in the legal framework but also institutional fragmentation and the lack of strategic vision. The persistence of overlapping mandates, discretionary decision-making, and unpredictable policies has produced inefficiencies that harm both producers and consumers. A forward-looking reform agenda must therefore focus on drafting a comprehensive automotive strategic document, strengthening legal predictability, enhancing competition and consumer rights, and incorporating sustainability and environmental concerns into the regulatory framework. Each of these dimensions is interconnected, and only through a holistic approach can Iran create a regulatory system that is transparent, efficient, and globally competitive.

Drafting a comprehensive automotive strategic document should be the cornerstone of regulatory reform. At present, automobile policy in Iran is characterized by ad hoc decrees and fragmented institutional oversight, leaving importers and consumers subject to constantly shifting rules. A strategic document would provide a unified vision for the industry, setting out long-term objectives for market efficiency, consumer protection, technological advancement, and integration into global markets. This document should consolidate the roles of the 23 institutions currently involved in automotive regulation, reducing overlaps and ensuring coherence. Scholars have noted that the absence of a strategic vision is one of the main reasons for inefficiency in Iran's automobile sector, as decisions are driven by short-term crises rather than coordinated long-term goals (Ameri Shahrabi et al., 2024; Esmaeilipour Masouleh & Sadeghi Niaraki, 2021). By clearly defining institutional responsibilities within a unified framework, the strategic document would prevent conflicts between ministries, the Central Bank, and the Competition Council, while establishing accountability mechanisms for consistent enforcement (Khandouzi, 2010; Montazeri Shourkuchali & Zahed Gharavi, 2019).

Institutional consolidation should accompany the drafting of this strategic document. Rather than dispersing authority across multiple ministries and councils, Iran could establish a single independent regulatory authority dedicated to the automobile sector, similar to the models used in other countries where independent agencies oversee competition, pricing, and trade practices. Such a body would provide a neutral forum for balancing the interests of producers, importers, and consumers while reducing opportunities for rent-seeking created by overlapping jurisdictions. Comparative experiences show that independent regulators increase transparency and build investor confidence by insulating decision-making from political interference (Monavari & Rasekh, 2017; Rasekh & Hosseini, 2016). Consolidation would also allow for the integration of industrial and environmental policies, ensuring that trade regulations support broader goals of technological upgrading and sustainability.

Strengthening legal predictability is another essential pillar of reform. Importers and producers alike require stable and transparent rules in order to plan investments, manage supply chains, and meet consumer demand. Licensing procedures in Iran have been heavily criticized for their opacity and discretionary nature, with approvals often contingent on political connections rather than objective criteria (Bidabadi, 2008; Presidential Deputy for Legal, 2012). A reformed system should introduce transparent licensing mechanisms that set out clear eligibility requirements, timelines, and appeals procedures. Digitizing the licensing process and publishing data on approvals and rejections would further reduce the potential for arbitrary decision-making and corruption. Transparent licensing not only enhances trust among market participants but also aligns domestic practices with international standards for trade governance (Firoozi, 2005; Pasban et al., 2017).

Stable tariff policies are equally important to legal predictability. Frequent changes in tariff rates, often justified as responses to currency fluctuations or sanctions, have created uncertainty that discourages investment and distorts consumer behavior. For example, sudden tariff hikes on imported cars have led to inflated prices and speculative practices in the domestic market, while abrupt reductions have undermined the competitiveness of domestic producers. To avoid these distortions, tariff policies should be based on long-term economic assessments and revised only at predictable intervals. Establishing tariff schedules that are publicly accessible and aligned with international commitments would help Iran move closer to WTO norms while ensuring that domestic producers have sufficient time to adjust to competition (Ministry of Foreign Affairs, 2011; Tarem Seri, 1996). Predictability in tariffs not only stabilizes the market but also reassures consumers that they are not subject to arbitrary and politically motivated price fluctuations.

Enhancing competition and consumer rights should form the third dimension of reform. Iran's current regulatory environment often prioritizes producer protection at the expense of consumers, resulting in limited access to quality vehicles and inflated prices. To rectify this imbalance, regulatory reforms must strengthen competition mechanisms while safeguarding consumer interests. Aligning domestic policies with WTO standards is a necessary step, as these standards prohibit discriminatory practices and require transparent and fair treatment of foreign goods (Pasban et al., 2017; Shiravi, 2000). By adopting these norms, Iran can create a level playing field that encourages innovation and efficiency among domestic producers while expanding consumer choice.

Supporting domestic producers without undermining consumer rights requires a more nuanced approach than outright protectionism. Instead of shielding inefficient manufacturers behind high tariffs and import bans, the government should incentivize technological upgrading, research and development, and partnerships with international firms. This approach echoes the strategies employed by countries such as South Korea and China, which leveraged foreign competition and collaboration to build globally competitive industries (Biller & Swann, 2006; Meckling & Nahm, 2019). For Iran, policies that encourage domestic firms to meet international safety and environmental standards would not only improve product quality but also prepare the industry for participation in export markets. At the same time, stronger consumer protection laws—requiring transparency in pricing, warranties, and after-sales services—would ensure that consumers benefit directly from regulatory reforms.

Sustainable development and environmental concerns represent the final pillar of reform. Iran's automobile sector has long been criticized for producing vehicles that lag behind international standards in safety and emissions, contributing to environmental degradation and public health concerns. Reform proposals must therefore integrate environmental objectives into the regulatory framework for imports. One effective measure would be to incentivize the import of hybrid and electric vehicles by reducing tariffs or providing tax exemptions for environmentally friendly technologies. Such incentives would not only improve consumer access to sustainable vehicles but also align Iran's policies with global trends toward decarbonization (Esmaeilipour Masouleh & Sadeghi Niaraki, 2021; Meckling & Nahm, 2019).

Updating safety and environmental standards is equally crucial. The Standards Organization and the Environmental Protection Agency must be empowered to enforce benchmarks that reflect international best practices, particularly those outlined in the WTO's Technical Barriers to Trade Agreement. Enforcing stricter emissions standards for both domestic and imported vehicles would reduce pollution and encourage technological improvements in domestic production. Similarly, requiring adherence to international crash safety standards would enhance consumer protection and reduce fatalities caused by substandard vehicles (Biller & Swann, 2006; Montazeri Shourkuchali & Zahed Gharavi, 2019). The integration of environmental and safety concerns into trade policy would not only serve domestic welfare but also improve Iran's credibility in international trade negotiations.

The research objective in this context is to show that comprehensive reform requires more than piecemeal adjustments to tariffs or licensing rules. It demands a holistic restructuring that unifies the fragmented institutional landscape, strengthens legal predictability, enhances competition, protects consumers, and incorporates sustainability into regulatory practice. Without such reforms, the automobile sector will remain vulnerable to inefficiency, consumer dissatisfaction, and global isolation. By adopting a coherent strategy rooted in transparency, accountability, and international alignment, Iran can transform its regulatory system from a source of uncertainty into a foundation for industrial growth and consumer welfare.

9. Conclusion

The regulation of foreign automobile imports in Iran represents one of the most illustrative examples of how law, politics, and economics intertwine to shape industrial outcomes. Over the course of this study, it has become clear that while Iran possesses a strong body of laws and constitutional provisions that could, in theory, provide a framework for fair competition and transparent trade practices, the realities of institutional fragmentation, short-termism, and reactive policymaking have prevented these goals from being realized. The result is a regulatory system that is unpredictable, inconsistent, and deeply contested, producing inefficiencies that harm consumers, distort incentives for producers, and discourage meaningful foreign engagement.

At the center of this problem is the lack of institutional coherence. With authority dispersed across 23 different institutions, ranging from ministries and councils to the Central Bank and Customs Administration, no single body is empowered to ensure consistency or accountability in automotive import regulation. This fragmentation has not only produced overlapping mandates and conflicts of interest but has also created fertile ground for discretionary practices, rent-seeking, and corruption. The absence of a unified chain of responsibility means that importers are forced to navigate a labyrinth of approvals and licenses, while consumers face the consequences of inflated prices and limited choice.

The broader legal framework, anchored in Article 44 of the Constitution and reinforced by trade laws such as the Export and Import Regulations Act and the Customs Law, has struggled to maintain its authority in the face of constant executive decrees and temporary directives. Instead of providing stability, these ad hoc measures have eroded legal certainty, leaving both domestic and foreign stakeholders uncertain about the rules of the game. The very principle of predictability, which lies at the heart of effective regulatory governance, has been compromised by the state's reliance on short-term measures to address immediate crises such as currency fluctuations or sanctions.

This instability has produced a wider conflict between the protection of producers and the rights of consumers. On one hand, policymakers justify restrictions on imports and tariff protections as necessary to safeguard domestic producers, preserve employment, and maintain a degree of industrial independence. On the other, these measures have consistently undermined consumer welfare by limiting access to quality vehicles, reducing competition, and perpetuating inefficiencies among domestic producers. Price controls, framed as tools of consumer protection, have similarly backfired, discouraging investment in product quality while failing to ensure affordability in the long run. This dual failure has left both producers and consumers dissatisfied, highlighting the inability of current regulatory practices to balance competing interests effectively.

The role of external shocks, particularly international sanctions, has further exposed the fragility of Iran's regulatory system. Sanctions created pressures on foreign exchange reserves, disrupted international supply chains, and forced regulators into a defensive posture. In response, policymakers leaned heavily on import bans, licensing restrictions, and tariff adjustments, which only deepened the unpredictability of the regulatory environment. Instead of building resilience, the system became more dependent on reactive measures, amplifying existing inefficiencies and fostering distrust among market participants. Sanctions therefore did not merely constrain Iran's economic options; they magnified the weaknesses of an already fragmented and short-sighted regulatory structure.

International comparisons make the shortcomings of Iran's regulatory framework even more apparent. Countries such as South Korea, Turkey, and China have demonstrated that it is possible to combine protective measures with gradual liberalization, using regulation not as a tool for isolation but as a mechanism for integration into global markets. South Korea leveraged industrial policy alongside WTO-aligned reforms to build global champions. Turkey harmonized its automotive regulations with European Union standards, opening export opportunities while enhancing domestic competitiveness. China employed joint venture requirements to ensure technology transfer while still honoring its commitments to trade liberalization.

Each of these cases illustrates that protectionism, when paired with strategic vision and institutional coherence, can serve as a stepping stone to competitiveness rather than a permanent crutch. Iran's failure lies not in its desire to protect domestic producers but in the absence of a coherent strategy to transition from protection to global competitiveness.

The analysis in this study highlights that meaningful reform must be comprehensive, addressing legal, institutional, and policy dimensions simultaneously. Drafting a strategic automotive policy document that sets out clear long-term objectives is essential to replace ad hoc decrees with a unified framework. Institutional consolidation, whether through the establishment of an independent regulatory authority or through clearer delineation of mandates, would reduce duplication and enhance accountability. Transparent licensing processes and stable tariff policies would restore predictability, enabling producers, importers, and consumers to make informed decisions. Strengthening competition law enforcement and consumer protection would ensure that regulation serves the broader public interest rather than narrow producer lobbies. Finally, embedding environmental and safety standards into trade policy would align Iran's automotive sector with global trends toward sustainability and innovation.

The implications of these reforms extend beyond the automobile sector itself. A coherent and predictable regulatory framework would enhance Iran's credibility in international trade negotiations, strengthen its case for eventual integration into the World Trade Organization, and attract foreign investment by signaling a commitment to transparency and the rule of law. Domestically, such reforms would stimulate innovation, improve product quality, and increase consumer trust in both regulators and producers. More broadly, they would help transition Iran's regulatory state from one that is reactive and fragmented to one that is proactive, coordinated, and resilient.

The research objective here has been to show that the failures of Iran's automotive import regulation are not merely technical flaws but systemic issues rooted in the structure of governance itself. Legal texts, however well crafted, cannot achieve their goals without effective institutions and consistent enforcement. Fragmentation, short-termism, and discretionary authority have undermined the potential of Article 44, the Customs Law, and other regulatory instruments to create a competitive and consumer-friendly market. Reform therefore requires not only legal amendments but also a transformation of the institutional and political culture that governs trade policy.

Ultimately, the regulation of foreign automobile imports in Iran must move from being a site of conflict and inefficiency to becoming a pillar of industrial modernization and consumer welfare. This requires policymakers to embrace transparency, consistency, and accountability, recognizing that the interests of producers and consumers are not mutually exclusive but interdependent. A robust domestic industry cannot thrive without consumer trust, and consumer welfare cannot be secured without competitive and efficient producers. The way forward lies in aligning these interests through coherent regulation that balances protection with openness, short-term stability with long-term strategy, and national sovereignty with international integration.

The conclusion that emerges from this study is that Iran stands at a crossroads. It can continue with fragmented governance, short-term decrees, and protective policies that entrench inefficiency, or it can embark on a reform path that unifies institutions, clarifies laws, and embraces global standards. The former path leads to continued stagnation, consumer dissatisfaction, and global marginalization. The latter offers the possibility of a resilient and competitive automotive sector that serves the needs of both producers and consumers while contributing to broader economic development. The choice is ultimately one of political will: whether to maintain a system that benefits a narrow set of actors or to reform it in the interest of the wider public and the nation's long-term future.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

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