**How to Do Business With &Within**

**IRAN**

A Comprehensive Guide to the

Iranian Market

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Foreword

Iran, in terms of numerous economic scales and indicators, is regarded as an unrivalled market in the Middle East and the west Asia region.

The economy of this country is considered as the 20th strongest, according to the Resource-Based Evaluation Method, at the global stage.

Richness, abundance and diversity in natural resources, population size, literacy rate, skilled man-power availability, life expectancy and the actual and potential capacity for industrialization in this country, to mention but a few, are among the essential factors creating the existing rare chances for lucrative businesses.

Ensuring a dynamic national economy, full employment and a decent living standard for the people have been among the strategic objectives pursued by the state since the advent of the1979 Islamic Revolution.

However, it should be noted that unlike the adopted economic policies of the government in the first and the second decades after the Revolution which were often politicized and influenced by the revolutionary agenda and the eight-year Iraqi imposed war on Iran, the present principal guideline followed today by the relevant institutions and individuals is focused mostly on ‘pragmatism’

The four consecutive five-year socio-economic plans, beginning from 1988 onwards, basically targeted such goals as enhancing Iran’s manufacturing, transportation, communication, energy and educational infrastructures. These plans were also intended to gradually integrate various segments of the national economic infrastructures, including the communication and transportation systems, with those of the neighboring countries.

Conscious of the main reasons behind the past defects and failures, on one side, and the major existing stumbling blocks, on the other side, ultimately motivated the due decision-makers to help promote all sorts of investment opportunities, from local and external sources and encourage economic liberalization by creating the requisite conditions.

Despite the higher share being allocated, theoretically, by the Iranian Constitution to the public sector, it should be admitted that a much broader interpretation of the law has constantly been observed in practice by the authorities even in the early phase of the post-revolution era. In other words, the private sector has been permitted to assume much broader and active role in almost every economic domain rather than those sanctioned by the law.

Furthermore, the amendment made by the Expediency Assembly to the Article 44 of the Constitution, in 2004, must be regarded as a major change in the evolutionary process of the Iranian economy after the 1979 Revolution. In line with the provisions of the said Amendment as much as 80 percent of the ownership and administration of the state assets would be transferred to the private sector. Forty percent of the prescribed privatization is being performed through distribution of the so-called ‘Justice Share’ scheme and the remainder via the Iranian Stock Exchange Organization.

However, in the last analysis it may be asserted that the measures adopted and implemented so far have paved the grounds for emergence of a flourishing market with unprecedented actual and potential capacities.

Providing the basic information, including the due facts and figures, to those who wish to secure a desirable share for themselves in the vast and diverse Iranian market constitute the fundamental goal behind producing and publishing this book.

We hope that this collection would be beneficial to both the practitioners and theorists of the trade-related issues, particularly those involved, directly or indirectly, in trade with Iran.

At the end, I would like to express my gratitude to Hamid Reza Tadjedini, author of this book, Dr. Rafati who constantly further enriched the contents of the book from conception to publication and the Commerce Printing and Publishing Company for what they have done along various development phases of this book.

Mahdi Fathollah

President of ITSR

CHAPTER 1

Panorama

a. Iran at a Glance

Topography of Iran

Iran, located in southwest Asia, with an area of 1,648,000 square kilometers is one of the largest countries in the region which has border with both Eurasia, some of countries as members of council of Europe, Middle East, sub-continent of India and It ranks sixteenth, in terms of size, among the countries of the world.

Iran shares its northern borders, extending for more than 2,000 km, with three “CIS” states, namely, the Republic of Azerbaijan, Armenia and Turkmenistan.

The length of the common border between Iran and the three said countries includes almost 650 km of water along the southern shore of the Caspian Sea, which is the world’s largest lake. The altitude of this lake is about 25m below sea level.

Iran’s eastern borders are with Afghanistan, on the north, and Pakistan, on the south. To the west lie Turkey, on the north, and Iraq on the south, terminating at a shared river called “Arvand Rud” or “Shatt al-Arab” by, respectively, the Iranians and the Iraqis.

Furthermore, the Persian Gulf and the Sea of Oman, providing Iran with its main access to international waters, make up for the entire 1,770 km southern border of this country. From the historical point of view, it may be asserted that Iran’s mountains have contributed, at a notable degree, to shape both the economic and political circumstances of the country for several consecutive centuries.

This country consists of uneven mountainous rims surrounding high interior basins.

Rimming the Caspian Sea littoral is the Alborz mountain range with the volcanic mount Damavand (5,610 m) as the country’s highest peak. Damavand is also the highest mountain on the Eurasian landmass west of the Hindu Kush.

Iran has two expanses of lowlands, i.e. the Caspian Sea coastal plain in the north and the Khuzestan Plain in the southwest. The former being both longer and narrower extends for about 640 km along the Caspian shore.

However, its widest point is less than 50 km, while at some places less than 2 km separate the shore from the Alborz foothills.

The Khuzestan Plain should be considered a roughly triangular-shaped extension of the Mesopotamia Plain which averages about 160 km in width. It extends for some 120 km inland, rising a few meters above sea level, then meets sharply with the first foothills of the Zagros. A sizable portion of the Khuzestan Plain is covered with swamps.

Meanwhile, the Persian Gulf coast south of Khuzestan and the Sea of Oman coast have no real plains because the Zagros in these areas come right down to the shore.

Iran, at its center, comprises several closed basins that collectively are termed as the Central Plateau. The Central Plateau is mostly sand or rock desert with an average altitude of about 900m. A number of the mountains that tower over the said plateau exceed 3,000m. There are two salt deserts, namely, the Dasht-e-Kavir (Great Salt Desert) and the Dasht-e Lut on the eastern side of the said plateau. Excluding some scattered settlements, these deserts are almost entirely uninhabited.

Karun, with a length of 830 km, is the main navigable river in Iran, where the shallow-draft boats can navigate from the port of Khorramshahr to Ahvaz (the provincial seat of Khuzestan), a distance of about 180km.

Other major rivers include the Karkheh (700km long) which flows into Tigris, and Zayandeh Rud (300km long). Several other permanent rivers and streams drain into the Persian Gulf, while a number of small rivers that originate from Zagros or Alborz drain into the Caspian Sea.

Moreover, there is a permanent salt lake in the northwestern part of Iran, called Lake Uromiyeh, whose brine content is too high to support fish or other species of aquatic life.

Climate

Iran which has a variable climate, experiences four distinct seasons, ranging from very cold winters in most parts of the country to hot and dry summer time. The northwest being the coldest section of the country, enjoys winters with heavy snowfall and subfreezing temperatures from December to February.

On the Central Plateau and along the coastal zone rimming the Persian Gulf, the average daily temperatures can even reach, sometimes, 50C (122F) during summer. However, winters are generally mild in the latter-mentioned areas of Iran. Humidity can extremely be disturbing in the summer months.

The extreme climatic diversity between the north and south of Iran implies the fact that while one can ski down the slopes in the vicinity of Tehran in late winter, he/she would have also the chance to take a dive in the warm water of the Persian Gulf later the same day after a short flight from the capital city to Kish Island or Bandar Abbas.

In general, Iran has an arid climate in which most of the annual precipitation falls from October through April. In most parts of the country, the annual precipitation is around 25cm; the major exceptions are the mountainous areas in the north, the higher mountain valleys of the Zagros and the Caspian coastal plain, where precipitation averages at least 50cm yearly. In the western part of the Caspian, rainfall exceeds 100cm annually and is distributed relatively evenly throughout the year. This contrasts with some basins of the Central Plateau that receive around 10cm or less of precipitation annually.

Flora & Fauna

The land covered by Iran’s natural flora is four times that of the Europe’s. There are more than 2,000 plant species throughout the country.

Over one-tenth of the entire area of Iran is forested. The most extensive growths are located on the mountain slopes along the Caspian Sea, with stands of oak, ash, elm, cypress and other precious trees.

Moreover, on the proper parts of plateaus, areas of scrub oak grow on the best-watered mountain slopes, where the local inhabitants cultivate orchards and grow the plane trees, poplar, willow, walnut, beech, maple and mulberry. Wild plants and shrubs spring from the barren land in the spring season which provide for pasturage, but are burnt away by the summer sun.

The major types of forests that exist in Iran and their respective areas are as follows:

1. The Caspian forests of the northern parts of Iran (19,000 km2).

2. Limestone mountainous forests in the northeastern districts, i.e. juniperus forests (13,000 km2).

3. Pistachio forests located in the eastern, southern and southeastern districts of the country (26,000km2).

4. Oak forests in the central and western districts of Iran (35,000km2).

5. Shrubs of the desert districts in the central and northeastern parts of the country (10,000km2).

6. Sub-tropical forests of the southern coast rimming the Persian Gulf, such as the Harra forests (5,000km2).

On the other hand, the wildlife of Iran are varied. Domestic animals of this country include sheep, goats, cattle, horses, water buffalo, donkeys and camels. Bears in the mountains, wild sheep and goats, gazelles, wild asses, wild pigs, panthers and foxes abound. The Persian leopard is said to be the largest of all the subspecies of leopards in the world. The main range of this species in Iran closely overlaps with that of Bezoar Ibex. Hence, it is found throughout Alborz and Zagros mountain chains, as well as smaller chains within the Iranian plateau. Leopard population is very sparse, due to loss of habitat and natural prey, on one side, and population fragmentation, on the other. Besides Bezoar Ibex, wild sheep, boar, deer and domestic animals make up for leopards’ diet in this country.

Furthermore, Iran lost all its Asiatic Lions and Caspian Tigers by the earlier part of the last century.

The Asiatic Cheetah is a critically endangered species which extinct elsewhere and now can only be found in Iran. The pheasant, partridge, stork and falcon are native to this country.

Population

Iran’s unique location at the crossroads of three most populated continents, i.e. Asia, Africa and Europe, has caused the existence of many ethnic groups within its territory.

Over half of the population is of Persian origin, while about a quarter are Azeri-speaking people. A large group of Kurds and smaller minorities of Arab and Baluch also exist in, respectively, western, southwestern and southeastern regions of the country.

The years following the 1979 revolution coincided with a rapid rise in population figures. Changes in population structure during the past three decades resulted in aggregation of demands for education, health, and the most important of all, employment of the youth.

A brief review of the population and housing censuses conducted by the Statistical Centre of Iran (SCI) since 1996 reveals the aforementioned changes in the combinational structure of Iran’s population during the said period of time.

The official figure concerning the Iranian year ending in March 2000 display the fact that the annual population growth rate was stabilized at approximately 1.6 percent. The population size was estimated at in excess of 62.8m at that time.

Based on the 1996 census, 51 percent of the country’s population was under 20 years old.

According to the results of the 2000 census, the urban areas accommodated over 63 percent of the total population, with 39.7m urban dwellers. The greater Tehran area had a population in excess of 10m.

However, the decline in fertility rate in recent years reduced the population growth. As a result of the alterations which occurred during the past 30-year period of time, social affairs merited top priority on the country’s consecutive Socio-economic Development Plans. This assertion can obviously be noted in impressive improvement of educational, health, and income distribution indices.

Table 1.a.1 Population and Labor Force

|  |  |
| --- | --- |
| Population and Labor Force |  |
| Population (1386) (million) | 71.5 |
| Urban | 49.6 |
| Rural | 21.9 |
| Population Growth (1386) | 1.4 percent |
| Population Density (1386) | 43 per Square Km |
| Active Population (1387, Q3) | 22.3 million |
| Unemployment Rate (1387, Q3) | 9.5 percent |
| Literacy Rate (1386)(1): |  |
| 6 years and over | 85.6 percent |
| 6-29 years | 95.5 percent |

Source: Statistical Center of Iran (SCI) (1) Vice - President for Strategic Planning and Control

Table 1.a.2 Real Sector

|  |  |
| --- | --- |
| Real Sector (1386) |  |
| GDP Growth (1376=100) |  |
| Oil | 6.9 percent |
| Non-Oil | 7.6 percent |
| GDP Growth (4th FYDP target) (1381=100) |  |
| Average Period | 8.0 percent |
| 1386 | 7.8 percent |
| Performance of 1386 (current prices; billion Rls.) |  |
| GDP | 2,623,177 |
| Gross Fixed Capital Formation | 683,850 |
| Private Consumption Expenditures | 1,195,294 |
| Public Consumption Expenditures | 296,794 |

Source: Statistical Center of Iran (SCI)

Table 1.a.3 Number of Schools, Classrooms and Teaching Staff (1)

(Thousands persons)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Academic year | | | | |  | Percentage change | |  | Share  (Percent) | |
|  | 1381-82 | 1382-83 | 1383-84 | 1384-85 | 1385-86 |  | 1384-85 | 1385-86 |  | 1384-85 | 1385-86 |
| **Number of schools** |  |  |  |  |  |  |  |  |  |  |  |
| Urban areas | 59.330 | 61.335 | 63.481 | 66.449 | 67.314 |  | 4.7 | 1.3 |  | 45.9 | 46.4 |
| Rural areas | 75.336 | 76.247 | 77.334 | 78.268 | 77.850 |  | 1.2 | -0.5 |  | 54.1 | 53.6 |
| **Total** | 134.686 | 137.582 | 140.815 | 144.717 | 145.164 |  | 2.8 | 0.3 |  | 100.0 | 100.0 |
| **Number of classrooms** |  |  |  |  |  |  |  |  |  |  |  |
| Urban areas | 416.296 | 413.256 | 407.656 | 412.999 | 413.185 |  | 1.3 | 0.1 |  | 63.4 | 64.0 |
| Rural areas | 250.108 | 247.427 | 242.935 | 238.368 | 232.007 |  | -1.9 | -2.7 |  | 36.6 | 36.0 |
| **Total** | 666.404 | 660.683 | 650.500 | 651.367 | 645.192 |  | 0.1 | -0.9 |  | 100.0 | 100.0 |
| **Number of staff** |  |  |  |  |  |  |  |  |  |  |  |
| Urban areas | 614.066 | 646.441 | 644.190 | 645.243 | 635.101 |  | 0.2 | -1.6 |  | 70.2 | 70.5 |
| Rural areas | 289.556 | 278.749 | 278.749 | 274.058 | 266.162 |  | 3.4 | -2.9 |  | 29.8 | 29.5 |
| **Total** | 903.622 | 925.190 | 925.190 | 919.301 | 901.263 |  | 1.1 | -2.0 |  | 100.0 | 100.0 |

Source: Ministry of Education

(1) Includes kindergartens, primary schools, junior high schools, public high schools and pre-academic centers.

Table 1.a.4 Number of Students

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Academic year | | | | |  | Percentage change | |  | Share  (Percent) | |
|  | 1381-82 | 1382-83 | 1383-84 | 1384-85 | 1385-86 |  | 1384-85 | 1385-86 |  | 1384-85 | 1385-86 |
| Kindergartens | 404 | 439 | 492 | 540 | 533 |  | 9.8 | 2.4 |  | 3.5 | 3.7 |
| Primary schools | 7.029 | 6.648 | 6.207 | 6.007 | 5.828 |  | -3.2 | -3.0 |  | 39.1 | 39.0 |
| Junior high schools | 4.865 | 4.678 | 4.371 | 4.146 | 3.939 |  | -5.2 | -5.0 |  | 27.0 | 26.4 |
| High schools (day and night schools) | 3.828 | 3.030 | 2.977 | 2.957 | 2.921 |  | -0.7 | -1.2 |  | 19.2 | 19.6 |
| Technical and professional schools | 304 | 335 | 350 | 352 | 341 |  | 0.6 | -3.1 |  | 2.3 | 2.3 |
| Skill education centers | 445 | 453 | 445 | 454 | 434 |  | 2.0 | -4.4 |  | 2.9 | 2.9 |
| Pre-university centers | 455 | 436 | 413 | 419 | 421 |  | 1.5 | 0.5 |  | 2.7 | 2.8 |
| Teacher training centers | 10 | 9 | 9 | 10 | 14 |  | 11.1 | 40.0 |  | 0.1 | 0.1 |
| Others (1) | 543 | 515 | 492 | 480 | 480 |  | -2.4 | 0 |  | 3.1 | 3.2 |
| **Total** | **17.886** | **16.543** | **15.756** | **15.365** | **14.931** |  | **-2.5** | **-2.8** |  | **100.00** | **100.00** |

Source: Ministry of Education

(1) Includes adult students in primary schools, junior high schools, public high schools and pre-academic centers.

Table 1.a.5 Students Admitted to Universities and Higher Education Institutes by Sex

|  |  |  |  |
| --- | --- | --- | --- |
| Academic Year | Both sexes | Male | Female |
| 1370-71 ………………………………… | 71433 | 50765 | 20668 |
| 1375-76 ………………………………… | 158065 | 90600 | 67456 |
| 1380-81 ………………………………… | 1205026 | 98589 | 106437 |
| 1381-82 ………………………………… | 221006 | 104079 | 116927 |
| 1382-83 ………………………………… | 261401 | 120399 | 141002 |
| 1383-84 ………………………………… | 266470 | 123503 | 142967 |
| 1384-85 ………………………………… | 340526 | 154669 | 185857 |
| 1385-86 ………………………………… | 237320 | 119840 | 117483 |

Source: Statistical Centre of Iran

Table 1.a.6 Students Admitted to the Islamic Azad University by Sex

|  |  |  |  |
| --- | --- | --- | --- |
| Academic Year | Both sexes | Male | Female |
| 1365-66 ………………………………… | 5996 | 3305 | 2691 |
| 1370-71 ………………………………… | 74682 | 44009 | 30673 |
| 1375-76 ………………………………… | 148745 | 82845 | 65900 |
| 1380-81 ………………………………… | 172810 | 86241 | 86569 |
| 1381-82 ………………………………… | 182009 | 87164 | 94845 |
| 1382-83 ………………………………… | 257793 | 126292 | 131501 |
| 1383-84 ………………………………… | 297637 | 154325 | 143312 |
| 1384-85 ………………………………… | 372024 | 167575 | 204449 |

Source: Statistical Centre of Iran

Table 1.a.7 Minimum Monthly Wage (1)

(Iranian Rials)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1381 | 1382 | 1383 | 1384 | 1385(1) |
| Minimum Monthly Wag  | 698.460  (22.5) | 853.380  (22.2) | 1.066.000  (24.9) | 1.266.784  (18.8) | 1.500.000  (18.4) |
| Average consumer price index (1376=100) | 206.0  (15.8) | 238.2  (15.6) | 274.5  (15.2) | 307.6  (12.1) | 349.5  (13.6) |
| Minimum real Wag  | 339.058  (5.8) | 358.262  (5.7) | 388.342  (8.4) | 411.828  (6.0) | 429.185  (4.2) |

Source: Social Security Organization

(1) Figures in parentheses indicate percentage change over the previous year.

Table 1.a.8 Annual Increase in Government Employees’ Salary (1)

(Percent)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1381 | 1382 | 1383 | 1384 | 1385(1) |
| Salary coefficient | 290  (11.5) | 320  (10.3) | 350  (9.4) | 380  (8.6) | 430  (13.2) |
| Annual percentage increase Total increase | 3-5  14.5-16.5 | 3-5  13.3-15.3 | 3-5  12.4-14.4 | 3-5  11.6-13.6 | 3-5  16.2-18.2 |
| Inflation rate  | 15.8 | 15.6 | 15.2 | 12.1 | 13.6 |

Source: Social Security Organization

1. Figures in parentheses indicate percentage increase in salary coefficient compared with the

Table 1.a.9 Income Distribution Inequality Index in Urban Areas

(Percent)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1381 | 1382 | 1383 | 1384 | 1385 |
| **Share of income deciles** |  |  |  |  |  |
| 1st decile | 1.9 | 2.0 | 2.1 | 2.1 | 2.0 |
| 2nd decile | 3.3 | 3.3 | 3.5 | 3.5 | 3.5 |
| 3rd decile | 4.4 | 4.4 | 4.6 | 4.6 | 4.5 |
| 4th decile | 5.4 | 5.4 | 5.6 | 5.6 | 5.6 |
| 5th decile | 6.6 | 6.6 | 6.8 | 6.7 | 6.8 |
| 6th decile | 7.9 | 7.9 | 8.1 | 8.0 | 8.1 |
| 7th decile | 9.6 | 9.8 | 9.8 | 9.8 | 10.0 |
| 8th decile | 12.0 | 12.2 | 12. | 12.4 | 12.6 |
| 9th decile | 16.5 | 16.4 | 16.8 | 16.6 | 16.7 |
| 10th decile | 32.4 | 32.0 | 30.3 | 30.7 | 30.1 |
| **Ratio of richest 10 percent of households to poorest 10 percent** | **16.9** | **16.2** | **14.6** | **14.5** | **14.9** |

Source: Social Security Organization

Table 1.a.10 Number of the Insured and Pensioners Supported by Social Security Organization

(Persons)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Academic year | | | | | Percentage change | |
|  | 1381 | 1382 | 1383 | 1384 | 1385 | 1384 | 1385 |
| **Main and dependent insured** | **25,050,143** | **25,330,561** | **“** | **24,932,842** | **24,564,318** | **0** | **-1.5** |
| Main(1) | 6,588 | 7,048,905 | 7,161,865 | 7,437,840 | 7,512,024 | 3.9 | 1.0 |
| Employed | 5,591,265 | 6,021,798 | 6,123,839 | 6,369,988 | 6,599,277 | 4.9 | 3.6 |
| Unemployed | 116,268 | 131,850 | 133,552 | 127,024 | 15,187 | -4.9 | 18.2 |
| Dependent | 18,461,905 | 18,281,656 | “ | 17,495,002 | 17,052,294 | 0 | -2.5 |
| **Main and dependent pensioners** | **2,463,670** | **2,742,283** | **“** | **2,957,304** | **3,211,940** | **0** | **8.6** |
| Main | 1,256,572 | 1,362,323 | 1,250,621 | 1,358,006 | 1,473,112 | 8.6 | 8.5 |
| Retired | 463,404 | 521,424 | 558,008 | 629,591 | 685,735 | 12.8 | 8.9 |
| Disabled | 71,471 | 78,559 | 72,988 | 57,798 | 80,860 | 3.8 | 8.7 |
| Survivors | 721,697 | 762,340 | 619,625 | 652,617 | 706,517 | 5.3 | 8.3 |
| Dependent | 1,207,098 | 1,379,960 | “ | 1,599,298 | 1,738,828 | 0 | 8.7 |
| **Total** | **27.513.813** | **28.072.844** | **27.541.000** | **27,890,146** | **27,776,258** | **1.3** | **-0.4** |

Source: Social Security Organization

(1) Includes self-employed insured, drivers, Especial insured and optionally insured.

Table 1.a.11 Number of People Covered by Medical Services’ Insurance organizations

(Thousands persons)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | | | | Percentage change | |
|  | 1381 | 1382 | 1383 | 1384 | 1385 | 1384 | 1385 |
| staff fund | 6,888 | 6,933 | 6,916 | 6,904 | 6,996 | -0.2 | 13 |
| self-employed fund | 774 | 583 | 400 | 369 | 283 | -7.8 | -23 |
| Others fund | 1,630 | 1,492 | 1,554 | 1,525 | 1,860 | -1.9 | 22.0 |
| self-employed  hospitalized persons | 3,842 | 5,277 | 6,547 | 7,362 | 7,873 | 12.4 | 6.9 |
| Rural dwellers fund | 23,480 | 23,406 | 23,720 | 21,016 | 20,207 | -11.4 | -3.9 |
| Other | “ | “ | 18 | 17 | 13 | -5.6 | -23.5 |
| **Total** | **36,614** | **37,691** | **39,155** | **37,193** | **37,232** | **-0.5** | **0.1** |

Source: Medical Services Insurance Organization

Rapidly growing supply of labour force called for taking certain measures by the government, such as utilization of administered funds, extending facilities through the Oil Stabilization Fund (OSF)-a special fund set up by the government to support productive activities aimed at creating employment opportunities-and providing for special advantages and facilities to SMEs. These initiatives led to increasing demand for labour force and reducing the rate of unemployment. Allocation of U.S. $ 14.997b by the Oil Stabilization Fund (OSF) for the implementation of the approved projects and U.S. $ 9.612b for the concluded contracts, are examples of the above-said public-sector adopted measures to contribute to the national labor-market development.

Figure 1.a.1 Changes in Unemployment Rate over Successive Seasons during the Years 2005-2008 (Percent)

Source: Statistical Centre of Iran (SCI)

Meanwhile, on the basis of the census carried out by the Statistical Centre of Iran (SCI) in late 2007, Iran’s total population was 70.473m of whom 34.616m were female and 35.857m were male. The annual average growth of female and male were measured 1.6 and 2.7 percent, correspondingly.

25.1 percent of the population were under 15 years of age, 69.7 percent comprised the active population of 15-64 and 5.2 percent were over 65 years old.

Table 1.a.12 Population Age Structure

(Percent)

|  |  |  |  |
| --- | --- | --- | --- |
| Age groups | 1383 | 1384 | 1385(1) |
| Young population (under 15) | 28.6 | 27.6 | 25.1 |
| Population (15-64) | 66.7 | 67.7 | 69.7 |
| Old population (over 65) | 4.7 | 4.7 | 5.2 |
| Total | 100.0 | 100.0 | 100.0 |

Source: Vice President for Strategic Planning and Control

(1) Figures for 1385 are based on the census conducted by the SCI.

The 2007 census revealed that the total population grew by 1.6 percent, up by 0.1 percentage point compared with the previous year. The Gender Ratio (the number of male per 100 female) was 104. Therefore, it should be concluded that 50.9 percent of the country’s population were male and 49.1 percent were female.

Moreover, 68.5 percent of the total population dwelled in urban and 31.5 percent in rural areas. The mentioned figures show 0.6 percentage point increase in urban and the same amount decline in rural population. The current rural-urban trend of migration should be related to higher average level of services and employment opportunities in urban areas than those in rural areas.

Further burden on government to cope with increasing demand of growing number of unemployed people or those in search of better jobs and higher income, on the one hand, and emergence of greater and more severe challenges for urban environmental sustainability are, inter alia, unavoidable consequences of such migrations.

Table 1.a.13 Number of People Covered by Medical Services’ Insurance organizations

(Persons)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Total | | |  | Urban aras | | |  | Rural areas | | |
|  | Male and Female | Male | Female |  | Male and Female | Male | Female |  | Male and Female | Male | Female |
| 1380 | 14.7 | 13.9 | 18.9 |  | 15.0 | 13.3 | 26.5 |  | 14.3 | 14.8 | 11.7 |
| 1381 | 12.2 | 10.9 | 19.5 |  | 13.1 | 10.9 | 28.4 |  | 11.1 | 11.0 | 11.3 |
| 1382 | 11.3 | 9.8 | 20.5 |  | 12.1 | 9.8 | 27.4 |  | 9.9 | 9.8 | 10.2 |
| 1383(1) | 10.3 | 9.0 | 17.8 |  | 12.3 | 10.2 | 27.1 |  | 6.8 | 6.8 | 6.6 |
| **1384:** |  |  |  |  |  |  |  |  |  |  |  |
| Ordibehesht | 11.9 | 10.3 | 18.0 |  | 14.6 | 11.8 | 27.0 |  | 7.2 | 7.4 | 6.7 |
| Mordad | 10.9 | 9.5 | 16.1 |  | 13.7 | 11.1 | 25.1 |  | 6.0 | 6.2 | 5.5 |
| Aban | 10.9 | 9.4 | 16.7 |  | 13.0 | 10.6 | 24.4 |  | 6.7 | 7.0 | 6.0 |
| Bahman | 12.1 | 11.10 | 17.1 |  | 13.8 | 11.7 | 23.8 |  | 8.9 | 9.4 | 7.0 |
| **1385:** |  |  |  |  |  |  |  |  |  |  |  |
| Ordibehesht | 11.0 | 10.1 | 14.3 |  | 13.3 | 11.3 | 22.0 |  | 6.8 | 7.6 | 4.7 |
| Mordad | 10.2 | 8.8 | 15.4 |  | 12.9 | 10.5 | 24.1 |  | 5.3 | 5.5 | 5.0 |
| Aban | 11.6 | 10.2 | 17.6 |  | 13.5 | 11.1 | 25.2 |  | 7.9 | 8.4 | 6.2 |
| Bahman | 12.1 | 11.0 | 16.7 |  | 13.8 | 11.7 | 32.6 |  | 8.8 | 9.6 | 6.3 |

Source: Statistical Center of Iran (SCI)

(1) In 1383, Household Employment and Unemployment Characteristics Survey was conducted only in Ordibehesht and Aban

Table 1.a.14 Annual Average Gross Income Per Urban Household by Income Groups

(Iranian Rials)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1381 | |  | 1382 | |  | 1383 | |  | 1384 | |  | 1385 | |  | Percentage change | |
|  | Income | Share (%) |  | Income | Share (%) |  | Income | Share (%) |  | Income | Share (%) |  | Income | Share (%) |  | 1384 | 1385 |
| **Gross monetary income** | **29,887,788** | **74.2** |  | **33,983,082** | **73.7** |  | **41,697,965** | **74.9** |  | **50,840,987** | **76.4** |  | **57,783,811** | **74.5** |  | **21.9** | **13.7** |
| Wage and salary  Public sector | 7,576,145 | 18.8 |  | 7,524,290 | 16.3 |  | 9,756,801 | 17.5 |  | 12,030,928 | 18.1 |  | 13,334,659 | 17.2 |  | 23.3 | 10.8 |
| Wage and salary  Private sector | 4,784,578 | 11.9 |  | 5,864,394 | 12.7 |  | 7,273,960 | 13.1 |  | 8,930,187 | 13.4 |  | 10,261,832 | 13.2 |  | 22.8 | 14.9 |
| Self-employed in  agricultural sector | 660,400 | 1.6 |  | 743,090 | 1.6 |  | 1,239,985 | 2.2 |  | 1,108,494 | 1.7 |  | 1,618,133 | 2.1 |  | -(2) | 46.0 |
| Self-employed in  non-agricultural sector | 9,617,927 | 23.9 |  | 11,141,388 | 24.2 |  | 13,370,182 | 24.0 |  | 16,870,189 | 25.4 |  | 18,359,553 | 23.7 |  | 26.2 | 8.8 |
| Miscellanneous | 5,056,317 | 12.6 |  | 6,363,480 | 13.8 |  | 7,200,300 | 12.9 |  | 8,501,813 | 12.8 |  | 11,046,375 | 14.2 |  | 18.1 | 29.9 |
| Sale of second-hand goods | 2,192,421 | 5.4 |  | 2,346,440 | 5.1 |  | 2.856,737 | 5.1 |  | 3,99,376 | 5.1 |  | 3,163,259 | 4.1 |  | 19.0 | -6.9 |
| **Non-monetaruyincome** | **10,365,499** | **25.8** |  | **12,147,469** | **26.3** |  | **13,964,325** | **25.1** |  | **15,676,289** | **23.6** |  | **19,769,874** | **25.5** |  | **12.3** | **26.1** |
| Owner -occupied houses | 8,299,933 | 20.6 |  | 9,753,330 | 21.1 |  | 10,973,943 | 19.7 |  | 12,242,323 | 18.4 |  | 15,514,652 | 20.0 |  | 11.6 | 26.7 |
| Others | 2,065,566 | 5.1 |  | 2,394,139 | 5.2 |  | 2,990,382 | 5.4 |  | 3,433,966 | 5.2 |  | 4,255,222 | 5.5 |  | 14.8 | 23.9 |
| **Total**(1) | **40,235,287** | **100.0** |  | **46,130,551** | **100.0** |  | **55,662,290** | **100.0** |  | **66,517,276** | **100.0** |  | **77,553,685** | **100.0** |  | **195** | **16.6** |

Source: Statistical Center of Iran (SCI)

(1) Includes estimates of rental value of houses in lieu of services and free rental of goods and services in lieu of wage and salary and free of charge (not from another household) and production out of agricultural and non-agricultural proceeds to be used at home.

(2) As the number of sample households was insignificant, figures are not reliable and can not to be compared with the previous year.

On the basis of the above-mentioned census, performed in late 2007, Tehran province had the highest share of total population of the country by 19 percent (13.4m persons). The active population reached 23.5m in 2007.

Table 1.a.15 Distribution of Population According to Urban and Rural Areas

(Thousands persons)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | Percentage change | | Share  (Percent) | |
|  | 1381 | 1382 | 1383 | 1384 | 1385(1) | 1384 | 1385 | 1384 | 1385 |
| Urban areas |  |  |  |  |  |  |  |  |  |
| Total population | 43,710 | 44,835 | 45,966 | 47,096 | 48,245 | 2.5 | 2.4 | 67.9 | 68.5 |
| Rural areas(2) |  |  |  |  |  |  |  |  |  |
| Total population | 22,590 | 22,480 | 22,378 | 22,294 | 22,228 | -0.4 | -0.3 | 32.1 | 31.5 |
| Total | 66,300 | 67,315 | 68,344 | 69,390 | 70,473 | 1.5 | 1.6 | 100.0 | 100.0 |

Source: Statistical Center of Iran (SCI)

(1) Figures are based on the census done in 1385.

(2) Includes non-resident population.

Language

According to Article 15 of the Constitution of the Islamic Republic of Iran, Persian or Farsi, is the official language of the country. Hence, all written communications and official correspondences with the public-sector entities must be arranged in Persian. The local dialects or languages, including Azeri, Kurdish, Lori and Baluchi, are also spoken in the relevant regions and districts, along with Farsi. Moreover, English is prevalently understood and, if necessary, used within the local trade communities.

Religion

Islam is, according to the Constitution of the Islamic Republic of Iran, the official religion of the state. Shi’ite Muslims comprise over 98 percent of the population. Furthermore, there are small communities of religious minorities throughout the country, including Christians (mostly Armenians and Assyrians), Zoroastrians and Jews. The three aforementioned communities are represented in the national parliament (the Islamic Consultative Assembly), in accordance with the provisions of the Constitution of the Islamic Republic of Iran.

b. A Brief Historical Review

Based on numerous archaeological studies, including extensive excavations carried out by the Iranian and non-Iranian experts, tribal settlements have been found in portions of modern-day Iran since at least 10,000 B. C., particularly in the areas along the Caspian Sea. However, there are some other competent experts who are of the opinion that man has existed on the Iranian Plateau from as far as 15,000 years ago.

Irrespective of the above-mentioned arguments among archaeologists and ethnologists, the name “Iran” originates from the term “Arya” by which the tribes inhabiting the Iranian Plateau have attributed to themselves since the second millennium B. C. when Indo- European migrants settled in the region.

Subsequently, a branch of the Aryans, named the Medes, settled in the western part of the plateau, designating the ancient city of Ekbatan (today’s Hamadan) as their capital city. Almost at the same time, another branch of the Aryans, called the Pars, settled in the south-eastern part of the plateau with their capital city in the vicinity of today’s Shiraz, i.e. the Pasargad.

The two afore-mentioned tribes were ultimately united following the conquest of the Pars over the Medes, laying the foundation of the first Persian Empire, I.e. the Achaemenid Empire, by 533 B.C with Cyrus the Great as its founding father.

Cyrus and his successors caused prosperity for many years, conquering during their reign over the Greek Empire, Babylon, Egypt, large portions of today’s Indian subcontinent and local governments as far north as the Caucasus. They created one of the most developed civilizations in the world, up to that time, with a vast network of paved roads, a courier service, irrigation canals, developed agriculture, mineral exploitation and cloth and carpet weaving.

The Persian Empire, at its peak, extended its territorial sovereignty from the Sind to the Danube and from Central Asia to the heart of Africa.

Supported by historical evidences, the Persian rulers were identified with just and fair treatment of their subjects and the people of the lands annexed to their territory. Introducing a system of measures, weights and coinage and promotion of trade exchanges were among the policies and initiatives adopted and implemented by the Achaemenid kings. The foundation of the Silk Road and the initial attempt to construct the Suez Canal (with the purpose to connect the Persian Gulf with the Mediterranean through the Indian Ocean) took place during the rule of this dynasty.

This Empire was finally succeeded by Alexander in 331 B. C., following whose death came a power struggle among his generals, ultimately ending to the establishment of the Seleucid Dynasty. This too was in turn replaced by the Sassanians whose empire was terminated by the Arab warriors at the battle of Qadasiya in 637 A. D. This event, considered to be one of the most determining turning points in the history of Iran, delivered a number of significant results, inter alia, introduction of Islam as the national religion, absolute rule of Arabs for almost two centuries and profound influence of Islamic characteristics and values on the Persian language, culture and arts.

In the millennium-long interval between the Arab invasion and founding of the Safavid Dynasty, in the 16th century, Iran was often a battlefield for various tribes and peoples whose origins, apart from a few exceptions, came from outside the Persian cultural boundaries, such as the Seljuk, the Mongols and the Timurids.

With the Safavids coming to power, national order and territorial sovereignty and integrity restored to Iran, the Shi’ite branch of Islam was established as the state religion and arts, architecture and trade flourished superbly.

The Safavids were, subsequently, succeeded by the Afshars and Zands, who ruled for only a very short period and being finally replaced by the Qajars, in 1796. The Qajars who remained in power till 1926 despite the increasing political influence of Russia and Britain, particularly since their second kings of the reign, while selected Tehran, for the first time, as the state’s capital city.

Iran’s chaotic political system and deteriorating economy after the end of the World War I, on one side, and further intensification of the foreign powers’ influence, particularly the British, on the other side, paved the way to a coup d’etat staged by Reza Khan, an officer in the Cossack Brigade of the army in 1921. Reza Khan who was appointed as prime minister two years later, subsequently, crowned himself as the founder of the Pahlavi Dynasty in 1926, after the abdication of the last Qajar king, Ahmad Shah, by the parliament.

Following Reza Shah’s forced abdication in 1941, he was succeeded by his son, Mohammad Reza, at a time when Iran had been occupied a few days earlier by the Allied Forces and being used by them as a supply route to the Soviet Union. Such occupation and flagrant foreign intervention in the Iranian national sovereignty and territorial integrity resulted in the formation of a nationalist movement-even before the departure of the foreign troops.

This movement, known as the National Front, was led by the popular Prime Minister, Mohammad Mussadiq, who enjoyed the support and collaboration of a wide spectrum of the Muslim Cleric, headed at the time by Ayatollah Kashani.

Among the prominent initiatives undertaken by the Mussadiq administration was nationalization of the Iranian oil industry, which had been, hitherto, in the hands of the British.

Mossadiq was decisively opposed by two major forces from, respectively, inside and outside the country. On the domestic front, he was firmly confronted by the Shah who enjoyed the backing of the armed forces.

Moreover, the pressures on the nationalist government was further intensified by various sorts and guises of overt and covert conspiracies hatched by the British whose unjustified interests had been jeopardized earlier through the nationalization of the Iranian oil industry.

Ultimately, an alliance between the Iranian royal court and the British which also received the blessing and active participation of the U. S. Administration, resulted in a pro-Shah / pro-Western coup in 1953.

The following episode of the Iranian contemporary history, culminating in the 1979 Islamic Revolution, should be characterized by the Shah’s personality cult prevailing almost in every aspect of the Iranian society.

Strict imposition of various kinds of restrictions on independent political parties, NGOs, professional associations and the media, lack of sufficient efficiency and productivity in the public sector organizations and enterprises, gradual alienation of the middle class and intelligentsia from the unilateral state plans which often fell in failure, along with an endemic bitter sense of betrayal among the masses for the regime’s humiliating concessions towards its Western allies, particularly the U. S., were among the main reasons giving momentum to the public dissent.

The national uprising in 1963 led by Ayatollah Khomeini, the assassination of the prime minister and an attempt on the life of the Shah in 1965 were some of the outstanding events revealing general public’s dissatisfaction with ruling regime’s way of governance during the period 1953-1979.

The Shah’s policies and style of rule, on one hand, and the popular leadership of Ayatollah Khomeini, on the other hand, finally prepared the grounds for widespread protests, demonstrations and strikes throughout the country. These events, in turn, led to Imam Khomeini’s return to Iran to lead the country as well as the Islamic Revolution.

Subsequently, Iran was proclaimed as an Islamic Republic, on 1st April 1979-a proclamation that was overwhelmingly endorsed by the entire nation in a national referendum thereafter. The Islamic Revolution is considered to be one of the most dynamic changes in Iran’s contemporary history in which an autocratic monarchy was replaced by an Islamic Republic.

c. Contemporary Politics

c. 1 Structure of Government

The structural system of government in Iran is “Islamic Republic” which was founded right after the collapse of the Pahlavi regime and the triumph of the Iranian Revolution of 1979. Iran became officially an “Islamic Republic” subsequent to a nation-wide referendum, in March 1979, which secured 98.2 percent of the total vote.

According to the Constitution ratified in a separate referendum, the same year, Islamic principles underlie all political, social, cultural and economic affairs of the state. It is, in fact, a unique form of government wherein “Islamic” and “Republican” structures are combined and run parallel to one another.

The fundamental concept of this “theocratic republic” derives from a religious-political theory set by the first leader of the Revolution and founder of the Islamic Republic of Iran, the late Imam Khomeini, which essentially asserts the idea of the rule of a competent jurisprudent or “Jurisprudential Guardianship” (Velaayat-e-Faqih). This term implies that an Islamic state is to be guided by an eligible religious jurist in the absence of the Twelfth Imam.

Upon the demise of Imam Khomeini, in June 1989, who enjoyed a unique religious and popular authority, he was succeeded by the present Supreme Leader, Ayatollah Seyyed Ali Khamenei.

The configuration and arrangement of each and every segment and component part in the Islamic Republic of Iran is devised in such a manner that makes them vertically and horizontally accountable.

This general formulation even applies to the Supreme Leadership of the Republic who is subject to a sophisticated system of checks and balances through the elected Assembly of Experts. The latter body, consisting of highly competent Islamic jurists, has been provided with the constitutional authority to appoint, supervise and, if deemed necessary, to dismiss the Supreme Leader. Based on the said preamble, it is plausible to state that the system of government in today’s Iran is a blend of democracy and theocracy. This concept is endorsed and provided by the Constitution, enacted in 1979 and revised in 1989.

However, there are three branches of authority under the Supreme Leader, i. e., the Executive (the cabinet headed by the President of the Republic), the Islamic Consultative Assembly (the Parliament or Majles) and the Judiciary.

Furthermore, Iran is a member of the United Nations Organization (UN) and numerous other global and regional bodies, such as the World Bank, IMF, FAO, OPEC, OIC and ECO. Safeguarding the independence and territorial integrity of the country and negation of any alien influence and domination over all aspects of Iran’s domestic and foreign policy, are among the basic principles pursued by the Iranian government. Concurrently, Iran is constantly striving to set up and further promote cordial bonds with all nations of the world, on the basis of equality and mutual respect for political sovereignty and national independence of all concerned parties.

c. 2 Leadership (Jurisprudential Guardianship)

Jurisprudential Guardianship or Velaayat-e-Faghih is the highest-ranking status in the Islamic Republic of Iran. According to the Constitution all three branches of government, namely the Executive, the Legislative and the Judiciary are headed by Vali-e-Faghih (Supreme Leader) and secure their legality and legitimacy from the latter’s endorsement.

The 1979 Islamic Revolution transformed Iran from an autocratic monarchy to an Islamic system. This required a senior cleric in Islam who is also an Islamic jurist of the highest rank to head the nation as its Supreme Leader.

The concept should be traced to the late Imam Khomeini’s religious-political theory which subsequently was reflected into the Article 107 of the 1979 Constitution as a state principle.

The Assembly of Experts, presently a group of 86 clerics who are elected for 8-year terms, has been entrusted with the Constitutional right to elect, supervise and, if necessary, to dismiss the Supreme Leader.

In accordance with the provisions of Article 110 of the Constitution, the Supreme Leader of the Islamic Republic of Iran has the authority to set the guidelines of Iranian domestic and foreign policy. Moreover, the Leader is the commander-in-chief of all armed forces, commands all the security forces and is entitled to declare war or peace. Meanwhile, he is authorized to endorse the decree of the elected President, at the beginning of each term, to formalize the latter’s tenure as well as dismissing him, if he is tried by the Supreme Court and considered politically incompetent.

Besides the aforementioned rights and authorities, the Supreme Leader is legally entrusted with the commitment to appoint or remove the following officials:

-head of the judiciary system;

-the six clerical jurisprudents (foghaha) of the 12-member Guardian Council;

-commanders of the regular armed forces;

-commanders of the Islamic Republic Revolutionary Guards Corps (IRGC);

-head of the Islamic Republic of Iran Broadcasting-IRIB-(the national radio and television networks);

-the provincial Friday Prayers Leaders.

Since June 04, 1989, Ayatollah Seyyed Ali Khamenei has been acting as Iran’s Supreme Leader.

c. 3 Executive Branch

Article 113 of Constitution of the Islamic Republic of Iran defines “the President as the highest state authority after the Supreme Leader. He is responsible for implementing the Constitution and acting as the head of the Executive (branch of the government), apart from the matters directly concerned with (the office of) the Leadership”.

The President is elected by universal suffrage, by those 18 years old and older, for a term of four years and may be elected for a successive term, but only once, though he could run again after sitting out a term. However, presidential nominees must secure the approval of the Council of Guardians prior to running. The President of the Islamic Republic of Iran has the legal authorization to appoint, supervise and dismiss members of the Council of Ministers, subject to confirmation by the Islamic Consultative Assembly (Parliament or Majlis). He coordinates the government decisions and sets the policies to be placed before the legislature. At present, 10 Vice-Presidents as well as 21 ministers serve under the President.

Moreover, the President also acts as chairman of a number of highly significant bodies at the national level, such as the Supreme National Security Council, the Supreme Council of Economy and the Supreme Council of the Cultural Revolution.

Taking the above into account, it is quite safe to say that though the strongest power center in Iran is the office of the Supreme Leader, however, without the coordination and cooperation of the President the stability of the state could not be maintained as easily and smoothly as has been the case up to the present time.

Since June 2005, Dr. Mahmoud Ahmadinejad, the former Mayor of Tehran, has been acting as the President of the Islamic Republic of Iran.

He was re-elected for a further 4-year term in the Presidential poll held in June 2009.

c. 4 Legislative Branch: Majles

Iran’s legislative power, known as the Islamic Consultative Assembly (Majles-e Showra-ye Eslami) has 290 members who are elected by the citizens’ direct vote for a four-year term.

In line with the provisions of the Constitution which allows for an increase of up to 20 electoral seats in every decade, the number of seats was raised in the 6th Majles from 270 to the above-mentioned figure to account for population growth.

The Majles is Iran’s basic legislative body, hence a key institution. In normal circumstances, all the legislations passed by the parliament turn into a binding law after being verified and confirmed by the Constitution’s Guardian Council (GC). The Guardian Council which functions, more or less, like an upper house of parliament, primarily checks all parliamentary bills against the Constitution as well as the Islamic principles, prior to granting them their approval.

However, in case of dispute Islamic Consultative Assembly and the Guardian Council disagree on a bill, another body named the Expediency Discernment Assembly, that appointed by the Supreme Leader, gives the final vote to approve a bill.

Nonetheless, the Constitution has meticulously been drafted in a manner to provide to the Legislative Branch authorities proportionate to those of the other two branches of the state government. That is why even the Supreme Leader, with his elaborate span of authorities, is not legally authorized to dissolve the parliament.

In accordance with the provisions of Article 76 of the Constitution the Islamic Consultative Assembly is entitled to investigate and examine any and all affairs of the nation.

Assessment and approval of the annual state budget, drafting of all legislations, ratification of international treaties, protocols and agreements, consenting to minor changes in the country’s boundaries, given such alterations are recognized in the national interest, with the endorsement of 80 percent of the deputies, extending vote of confidence to the cabinet ministers, consideration of the government-originated bills and the bills securing support of at least 15 deputies, and approval of the cabinet’s request for the proclamation of martial law (for a period of less than 30 days) are among the significant duties, rights and responsibilities granted by the Constitution, exclusively, to the Islamic Consultative Assembly.

c. 5 Judiciary Branch

The Judiciary Branch of the Islamic Republic of Iran is an independent power supporting the individual and social rights of the citizens.

The Supreme Leader directly appoints (and is also entitled to dismiss) the head of the Judiciary, therefore, the Judicial Branch is entirely independent from the Executive and Legislative Branches.

The head of this branch of the Iranian state is the highest-ranking official of the Judiciary who, in line with provisions of the Constitution, is selected by the Supreme Leader for a five-year term. Moreover, the Chief Justice and Prosecutor General are chosen by head of the Judiciary after consultations with the judges of the Supreme Court, whose term of office is five years.

According to the Constitution, all trials, including cases of political and press offences should be held in open sessions, unless this is deemed in contrast with public ethics and social order. This decision is, however, solely and exclusively, within the jurisdiction of the due presiding judges.

The Iranian judicial system striving to be compatible with the Islamic principles, underwent a profound transformation, in terms of civil and penal codes, legal procedures as well as organizational structure after the Islamic Revolution in 1979. In view of the vital role played by the judicial power in defining an unprecedented legal framework and executing the component parts and elements of justice during the past three decades, it sounds reasonable to underline the unique importance of this branch of the Islamic government, as a determining power center, throughout the post-revolutionary process of state-building.

In January 1998, for the very first time after the triumph of the Islamic Revolution in Iran, a number of female judges were appointed.

In August 2009, Ayatollah Seyyed Mahmoud Shahroudi, who served as the head of Judiciary Branch for two consecutive 5-year terms, was succeeded by Ayatollah Sadegh Larijani Amoli.

c. 6 The Guardian Council

The Guardian Council (“GC”-Showra-ye Negahban) consists of 12 members, six clerics and six lay jurists. The clerical members of the Council are appointed by the Supreme Leader, while the remaining members, i.e., the six jurists, are elected by the Islamic Consultative Assembly from among twelve competent lawyers nominated by the head of the Judiciary.

Each member of the Council serves a three-year term, which may be extended for another three years.

The Guardian Council vets candidates for national elections, interprets the Constitution and determines whether bills passed by the “Majles” are in compliance with both the Islamic principles and the Constitution. Moreover, it is also in charge of assessing validation of election results.

c.7 The Expediency Discernment Assembly

The Expediency Discernment Assembly or, in short, the Expediency Assembly (EA), created in 1986 by Imam Khomeini’s decree, is one of the key institutions in today’s power structure of the Islamic Republic of Iran.

This Assembly is, in fact, a mediator and an arbitrator between the Islamic Consultative Assembly and the Guardian Council in cases of deadlocks between the two bodies.

It has also the authority to overrule the Constitution, should it is deemed expedient and in the interests of the Islamic Republic to do so.

Furthermore, the Expediency Assembly functions as an advisory body to the Supreme Leader, making it one of the most powerful governing bodies in Iran.

Due to the composition and arrangement of its members who represent a broad spectrum of the existing political factions and opinions within the country, the Expediency Assembly could be regarded an effective and well balanced entity in the governing establishment of the Islamic Republic of Iran. The Assembly is chaired by Ayatollah Akbar Hashemi Rafsanjani, the former President.

c.8 The Assembly of Experts

The Assembly of Experts (Majels-e-Khobregan) is one of the most significantly powerful entity in the government of the Islamic Republic of Iran.

The first Assembly of Experts, comprising 75 members, was elected by a nation-wide poll in August 1979. The main mission entrusted to the first Experts Assembly was to draft the Constitution of the Islamic Republic of Iran, which upon its accomplishment was dissolved.

The second Assembly, elected by the Iranian citizens in 1982, consisted of 83 members.

However, this Assembly presently a group of 86 prominent Islamic jurisprudents, are elected for an 8-year term. According to the provisions of a decree issued by the Assembly of Experts in 1980, the members of the Assembly are nominated by each of the provinces proportionate with their population size. Should the population of a province exceeds one million, then it is entitled to elect one additional member for each additional half million residents.

The main duties of this body which is based in the holy city of Qom, include the election of the Supreme Leader, according to Article 107 of the Constitution and his replacement, should he die or fails to perform in office or to present the requisite qualifications, in accordance with the provisions of Article 111 of the Constitution.

The Assembly convenes at least once a year for a two-day meeting in Tehran.

Following the demise of Imam Khomeini in 1989, the Assembly of Experts elected Ayatollah Seyyed Ali Khamenei as Iran’s second Supreme Leader.

Mahdavi Kanni, is concurrently the head of the Expediency Assembly.

c.9 Supreme National Security Council (SNSC)

Chapter 8 of the Islamic Republic of Iran’s Constitution, embodying only one article, i. e., Article 176, establishes the Supreme National Security Council (SNSC).

“SNSC” being set up in 1989, consists of the heads of the three branches of government along with the heads of the Management and Planning Organization (MPO-currently, Vice-President for Strategic Planning & Control), the Joint Chiefs of Staff Office, a high-ranking representative of the Army and the Revolutionary Guards Corps (RGC) as well as the minister related to the relevant agenda of the Council.

Setting and articulating the state’s defense and security policies, ensuring the necessary coordination between the country’s activities and national defense and security requirements and adjusting available resources aimed at defending and supporting the national interests of Iran against any and every domestic and foreign threats are, inter alia, the essential responsibilities of the “SNSC”.

Concerning the foreign policy, “SNSC” ’s involvement is limited only to cases immediately affecting the defense and security issues.

d. Other Major Forces

d. 1 The Mass Media

The Constitution of the Islamic Republic of Iran sanctions freedom of the press as long as published material is not considered to be in contravention with the Islamic principles. However, the criteria for being anti-Islamic are sometimes a bit ambiguous in practice. The publisher of a newspaper or periodical is required to obtain a valid publication license from the Ministry of Culture and Islamic Guidance. While all the media, print and electronic, are expected to adhere to professional standards and ethics, such as being fast, timely and honest in their efforts to disseminate information, they do not necessarily endorse every official policy and stance of the government. Hence, they definitely enjoy a much greater deal of freedom and independence in comparison with their counterparts in other countries in the region. Nonetheless, they are constantly trying to further add to their existing freedom of action through various means and ways.

All radio and television broadcasting is administered by a head appointed by the Supreme Leader, thus independent from the cabinet’s control and influence. Besides the headquarters of the Islamic Republic of Iran Broadcasting (IRIB) which is based in Tehran, there are further radio and television stations in major provincial seats, such as Azerbaijan, Kurdistan, Shiraz, Esfahan, Khorassan, Kerman, Gilan, Mazandaran and Bandar Abbas, which some of them also produce and broadcast programs in the prevalent local languages and dialects.

Moreover, Iran is among the world countries having record number of privately-owned and run Internet-based information sites containing authentic and indigenous materials in Persian (Farsi), English and other popular languages of the world. The Islamic Republic News Agency (IRNA), the Central News Bureau (affiliated to the Islamic Republic of Iran Broadcasting- “IRIB”), and the two dailies “Tehran Times” and “Kayhan International” are among the major English news sources inside Iran. “IRNA” is regarded to be a highly reliable source for official news about Iran, while “Tehran Times” is a well-connected newspaper that prints stories, sometimes, unique from those covered by other publications. The other media sources in Iran rely on major newswires, such as the Reuters and AFP, for their top stories. Furthermore, a number of sites post newspaper clippings in Persian or translate articles from Iranian papers.

Following is a list of some of the Iranian media in the specified field of information.

• News

“IRNA”-the official news agency of Iran.

“IRIB” News-Islamic Republic of Iran Broadcasting.

Echo of Iran-the oldest English news bulletin in Iran.

Iran Weekly Press Digest-Provides a complete account of political, social and economic developments of Iran.

“ISNA”-Iranian Student News Agency.

“Mehr News”-Provides domestic and international news coverages.

Press TV-Iran-based news network.

Cultural Heritage News Agency (CHN)-Covers culture and cultural heritage news.

Sahar International Network-Iran-based TV network.

• Daily Papers

Keyhan International-English edition of the large-circulated Tehran daily.

Tehran Times-Features the latest news about Iran, the Middle East and the world.

Ettela’at-International edition of a wide-circulated daily paper.

Ettela’at page 8-PDF (English)

Iran Daily-Published by the an Iranian institute, containing articles and images in PDF format.

Iran News Daily-English daily newspaper published in Tehran.

Mellat Electronic Newspaper-Provides comprehensive news and information on the activities of the Islamic Consultative Assembly (Majles).

• Radio & TV Broadcast

IRIB World Service Index

IRIB English (World Service)

Press TV

Sahar International Network

• Business & Financial News

IRNA Economy-The official news agency of Iran, a highly reliable source of information about official economic news in Iran.

Daily Market Summary-Tehran Stock Exchange.

Mehr News (Economic)-Coverage of financial, business and economic news, including oil and gas updates.

Iran Business & Economy-Comprehensive listing of resources, news, industries, business directories and associations.

d. 2 Chamber of Commerce, Industries and Mines

Background

Iran Chamber of Commerce, Industries and Mines (ICCIM) is an important body representing the private sector in Iran. The Chamber is a financially independent entity in charge of promoting trade through appropriate policies and actions, such as holding professional conferences and seminars, organizing trade fairs and establishing direct contacts with pertinent partners. Among its duties and responsibilities are: to settle disputes between and amongst traders by providing them with expert consultations and arbitration services. The Chamber, furthermore, collaborates with the state competent ministries and departments in formulating the required laws and regulations on trade, industry and mining.

From the historical point of view, the roots of the Chamber must be traced back to the late 19th century when a prominent trader of the time supported by a group of Tehran-based businessmen managed to secure the consent of the government to form the first-ever Assembly of Traders’ Representatives in Iran. The articles of association of the Assembly, or Majles, were subsequently endorsed by the king in 1883.

The Assembly (Majles) of Trade being, actually, a circle of the Iranian traders’ representatives was a manifestation of the traders’ new social movement in the above-said era. It had the authority to devise plans aimed at achieving economic progress through promotion of domestic and external trade transactions and play the role of a dispute-settlement body among traders. Financial security, creation of an office for the registration of properties and documents and an indigenous modern bank, protection of the local traders’ interests against foreign traders, improvement of quality and diversity of the local industrial goods in order to increase their competitiveness vis-a-vis the imported products and prevent counterfeiting of the exported goods were among the immediate goals sought by the Assembly of Trade.

Moreover, due to increasing number of active Iranian businessmen in some regional metropoles, such as Istanbul, Baku and Baghdad, similar “Assemblies” were also set up in those cities.

However, the Trade Assembly’s operations did not last for a long time and it was ultimately dissolved by the government because of so many plots and conspiracies hatched against the “Assembly” by a coalition of opposing forces, including the businessmen who had gone bankrupt by the implementation of new rules and regulations, some brokers who were displeased with the monitoring system designed by the Majles of Trade, and, last but not the least, a number of officials in Tehran and the provincial seats whose illegitimate interests had been jeopardized by the rule of law.

The Current Situation

Reviewing the current status of Iran Chamber of Commerce, Industries & Mines (ICCIM), following are among the duties and authorities entrusted to the Chamber by law:

-Creating coordination and cooperation among the businessmen, industrial, mineral and agricultural entrepreneurs in enforcing the relevant laws and current regulations of Iran.

-Offering advice to the legislative, judiciary and executive powers on economic issues, such as commerce, industry and mining.

-Communicate with the chambers of other countries and establish joint commissions and chambers with them, on the basis of strategic policies of Iran.

-Hold specialized and commercial exhibitions inside and outside Iran and participate in seminars and conferences related to the Chamber’s professional activities.

-Survey the foreign target markets for Iranian export goods.

-Encourage domestic investments in production affairs, particularly production of export goods with competitive advantages.

-Investigate and arbitrate the national and international issues and differences which may arise between the members and other applicants. -Generate economic statistics and administer a specialized data-base.

-Set up export and import unions and manufacturing syndicates in the fields of trade, industries, mines and services.

Administrative Configuration

“ICCIM” has a Board of Directors consisting of 7 members, while the Board of each provincial Chamber comprise 5 members who are elected for 4-year terms at the first meeting of the Board of Representatives. The executive affairs of the Chamber are assigned to the Secretary General who is proposed by the President of the Chamber and approved by the Board of Directors.

Enforcement of the resolutions of the Supreme Supervisory Council and those of the Board of Representatives, studying and confirming the suggestions and reports of the Chamber’s Commissions for their subsequent submission to the Board of Representatives and the Supreme Supervisory Council, appointing the Chamber’s delegates to domestic and international meetings, and examining, approving and appropriating the Chamber’s annual budget (prepared by the Secretary General) for its final ratification by the Board of Representatives are among the jurisdictions of “ICCIM” ’s Board of Directors. The same tasks are also considered for the Board of Directors of the provincial Chambers. Meanwhile, the Board of Representatives of Iran Chamber comprise the elected members of all existing Chambers across the country as well as the representations of the unions and syndicates affiliated to the Iran Chamber.

The concerned Chamber’s Board of Representatives will be elected for a period of 4 years for their subsequent introduction to the Iran Chamber.

The duties and authorities of the Iran Chamber Board of Representatives are as follows:

-Appointment of the Board of Directors;

-Assessment, approval and appropriation of the Chamber’s budget;

-Consideration of the reports and suggestions of the Commissions and other parts of the Chamber;

-Formation of the required Advisory Commissions;

-Recommendation of the by-laws of the ICCIM’s law, and their subsequent amendments, to the Supreme Supervisory Council.

Specialized Commissions

The specialized commissions of Iran Chamber of Commerce, Industries and Mines (ICCIM) are as follows:

-Entrepreneurship & Capital Market Commission

-ICT and E-Commerce Commission

-Mines Commission

-Tourism Commission

-Macro-Economy, Insurance & Bank Commission

-Energy Commission

-Trade Commission

-Societies Commission

-Legal, Judicial & Business Manner Commission

-Transit Transportation & Customs Affairs Commission

-Outlook Plan & General Policies of the Article 44 Commission

-Industry Commission

-Exports Commission

Societies

Iranian Union of Medical Equipment Businessmen

Iranian Union of Tea Traders & Distributors

Nos. 29, 30, Saraye Sina, near Melli Bank (Bazar branch) Sabze Meidan, 15th khordad st., Tehran.

Iranian Union of Vegetable Oil Producers & Exporters

Iran Exporters Association of Skin, Pickles skin & Leather

www.IPLEASSO.com

Iranian Union of Mineral Products Manufacturers & Exporters

No. 254, ICCIM’s North Bldg., Taleghani Ave., Tehran

www.irempa.ir

Iranian Carpet Exporters Association

Iran Textiles Industries & Apparels Exporters Union

www.iranapparels.com

Gas Industries & Household Appliances Council

No. 2/5, Mobini Alley, Yousefi St. (before Takhti sq.), Shahid Beheshti Ave., Tehran

www.council.ir

Iranian Holder of Pharmaceutical Industries Syndicate

No.12, Daru Gostar Bldg. (unit 12), Bistun St., Dr. Fatemi Sq. Tehran

Iranian Assembly of Communication & Information Technologies

No.12, (5th Fl.), Hakimi Alley, Shahid Beheshti Ave., Tehran

Iranian Export Assembly Confederation

No. 254 (3rd fl.), corner of Forsat St., Taleghani Ave. Tehran

www.irane.org

Iranian Center of Engineering & Management Network

1st Bldg. of Industrial Management Organization (3rd fl.), corner of Jame-Jam Bldg., Valiasr Ave., Tehran

Hygienic, Cosmetic & Perfume Products Manufacturers Association No. 66, Mada’en Alley, Fajr St., Ostad Motahhari Ave., Tehran-No. 162 (3rd fl., unit 6), Mirdamad Blvd.

Iranian Assembly of Steel Exporters

No. 1, Ahmad Ghasir Ave., Tehran

www.aispex.ir

Iranian Association of Mineral Water Manufacturers

No. 44 (6th fl., unit 11), East Hoveizeh St., North Sohrevardi Ave., Tehran

Human Sources Management Association of Iran

Valfajr Shahrak, 9th St., Iranshenasi St., S. Sheikh Bahaee Ave., Tehran

www.hrmsociety.ir

Quality Management Society of Iran

No. 4(2nd fl.), between 7th & 9th Sts., Ibne Sina St., Seyyed Jamal-e-din Asadabadi Ave., Tehran

www.iranqms.com

Industrial Managers Association

No. 248, opposite Mir-e-mad St., Ostad Motahhari Ave., Tehran

www.amsiran.com

Shipping Association of Iran

www.shippingassociationofiran.org

Iran Pistachio Association

Kerman Chamber of Commerce

www.pistachioiran.com

Iranian Energy Consumption Syndicate

www.iranecs.com

Iranian Steel Producers Association

No.46 (unit 2), corner of Naseri Alley, Afriqa Blvd., Tehran

Organic Association of Iran

No. 254, ICCIM’s North Bldg., corner of Forsat St., Taleghani Ave., Tehran

Organic-agriculture.persianblog.ir

Stone Association of Iran

No. 15 (8th fl.), next to Tejarat Bank, Sarv Sq., Sa’adat-abad Ave.

www.stoneassoc-ir.com

Iranian Auto Part Manufacturers Association

No. 26, before Taleghani Ave., 6th St., Villa St., Karimkhan Ave., Tehran www.iapma.ir

The Association of Iran Industry Equipment Manufacturers

No. 89 (1st fl.), before Sohrevardi St., Dr.Beheshti Ave., Tehran

www.satsa.ir

Iranian-Foreign Joint Ventures Association

No. 245, ICCIM’s North Bldg., Taleghani Ave., Tehran

www.iran-investment.com

International Transport Companies Association of Iran

www.itair.com

Iranian Wholesale Distribution Companies Association

No. 60, end of 7th Fath St., opposite Milk Co., on the 3km of Old Karaj road, Tehran

Iranian Association of Leasing Companies

No. 239 (1st fl.), before Jahan-e-Koudak Crossroads, Afriqa Ave., Tehran

Association of Iranian Confectionary Manufacturing Companies

No. 41, 12th Alley, Shahid Qanbarzadeh Street, Shahid Beheshti Ave., Tehran, Iran

www.iranianacm.com

Iranian Association of Generators Industries

No. 83, Shahid Dastgerdi (Zafar) St., Shariati Ave., Tehran

Iranian Association of Porcelain Industries

No. 29, Vanak St., Vanak Sq., Tehran

www.zariniran.com

Association of Iran Textile Industries

No. 28 (5th fl.), Kandovan Alley, opposite Ostad Nejatollahi St., Enghelab Ave., Tehran

www.aiti.org.ir

Gypsum Industries & Mines Association

No. 254, ICCIM’s North Bldg., Taleghani Ave., Tehran

Iranian Lead & Zink Industries and Mines Association

No. 5, 7th Alley, Nobakht Street, Apadana Ave., Tehran-Iran

www.ilzima.org

Iranian Association of Detergent, Hygienic and Cosmetics

No. 86, (2nd fl.), 7th Alley, Shahid Kabkanian St., Keshavarz Blvd., Tehran

www.dhci.org

Iran Foundry Syndicate (IFS)

No. 200 (1st fl.), next to the Bargh Department, Northen Bahar St., Tehran

Exports & Product Assembly-Iran Baraye Farda (IBF)

No. 22 (4th fl.), 8th St., Motahhari Ave., Tehran

www.iranibf.com

Iranian Association of Recycling Industries

www.airi.ir

Iranian Carpet Exporters Association

No. 29, Farrashbashi Alley, Pachenar Bazar, Khayyam St., Tehran

Ship Owners Union

No. 221 (5th fl.), beginning of Iran shahr St., Karimkhan Bridge, Tehran

Pharmaceutical Medical Equipment Dietary Supplement

No. 6, Pirouz Alley, Africa Ave., Tehran, Iran.

www.pourateb.com

Iranian Association of Cement Manufactures & Exporters

No. 4, forth Alley, Pakestan St., Shahid Beheshti Ave., Tehran

Iranian Exporters Union of Fruits, Vegetables and Flowers

No. 254, ICCIM’s North Bldg., Taleghani Ave., Tehran

Iran Manufacturing-Exporting Association of Liquorices

Karimkhan-e-Zand Ave., Shiraz Chamber of Commerce, Shiraz/Iran

Syndicate of Iranian Pharmaceutical Importers

No. 107, Sibooyeh Junction, Western Shahid Ghandi Ave., Northern Sohrevardi Ave

www.siphi.org

Iran Textiles Exporters Association (ITEA)

No. 51 (5th fl.), Khosro Alley, after Kalantari St., Ostad Nejatollahi St., Tehran

www.iranapparels.com

Iranian Union of Customs Brokers

No. 36 (unit 6), Kabkanian Alley, Keshavarz Blvd., Valiasr Sq., Tehran

Casing Exporters Association of Iran

No. 826, Karbascian Bldg. (2nd fl.), 15th Khordad Ave.

www.irancasing.com

Iranian Association of Home & Office Furniture Exporters

No. 36 (2nd fl.), 37th St., Seyyed Jamale-Asad Abadi Ave., Tehran

Kadoos.ir/CMSApp/cmsMain.aspx -e-din (Jamal-e-din)

Iranian Association of Software Exporters

No. 17 (5th east fl.), Hakimi Alley, Pakistan St., Dr. Beheshti Ave., Tehran

Iran Fisheries Organization

No. 1050/6, (11th fl., unit 9), after Beheshti Crossroads, Vali Asr Ave., Tehran

www.shilat.com

Iranian Oil, Gas, & Petrochemical Products Exporters Association

No. 30, 7th St., Sarafraz St., Dr Beheshti Ave., Tehran, Iran

www.opex.ir

Exporters Association of Medicinal herbs & Food Products

(1st fl., unit 6) Golestan Building, corner of 6th Alley, Hasani St., Karim Khan Ave., Tehran

Iran Dried Fruits Exporters Association

No. 19, Freidunshahr St., Azarshahr St., North Iranshahr Ave., Tehran

www.irandriedfruits.ir

Iran Printing Industry Exporters Union (IPIEU)

No. 5 (3rd fl.), A’laei St., Hedayat Ave., Tehran

www.ipieu.com

Iran Mine House

No. 25 (2nd fl.), South of Ostad Nejatollahi Ave., Tehran

www.iranminehouse.com

Syndicate of Steel Pipe & Profile Manufacturers

No. 5 (3rd fl.), 12th St., Sar’afraz St., Beheshti Ave., Tehran

www.sandika.ir

Iranian Motorcycle Manufacturers Syndicate

No. 26, Kourosh Building, After Sepah Store, South Ostad Nejatollahi Ave., Tehran

www.btm.ir

Iranian Syndicate of Motorcycle & Bicycle Parts Manufacturers

No. 60, Saeed Nour Mohammadi Beig Alley, between Vali Asr Ave. & Vahdat Eslami Ave., Molavi Ave., Tehran

www.simpm.ir

Syndicate of Paper & Cartoon Manufacturers

No. 233 (1st fl.), corner of 20th St., North Allame St., Saadat Abad Ave., Tehran

Iranian Syndicate of Leaven Manufacturers

No. 233 (1st fl.), corner of 20th St., North Allameh St., Saadat Abad Ave., Tehran

Iranian Veterinary Pharmaceutical Manufacturers Syndicate

No. 14 (4th fl.), East Arak St., Sepahbod Gharaney Ave., Tehran

www.irvpm-syn.com

Iranian Syndicate of Syringe & Needles’ Point Manufacturers

No. 13 (3rd fl.), Leili Alley, Vanak St., Vanak Sq, Tehran

Syndicate of Teflon Dishes Manufacturers

No. 25 (5th fl., unit 18), Shahid Farahanipour St., Asadabadi Ave. (9th St.), Tehran

Iranian Syndicate of Chemical & Pharmaceutical Materials

No. 115 (2nd fl.), next to the “Nehzat-e-Savad’amuzi”, Dr. Fatemi Ave., Tehran

Syndicate of Paint & Resin Manufacturers

No. 14 (6th fl.), East Armaghan Alley, Africa Ave., Tehran

www.parmai.com

Iranian Syndicate of Computers Manufacturers

No. 150, opposite Pars Hospital, Keshavarz blvd., Tehran

www.iitms.ir

Syndicate of Power Manufacturers Companies

www.pgcsyndicate.com

Iranian Syndicate of Canned Food Industries

No. 24, Tohid blind Alley, West side of Tohid Sq. Tohid Sq., Tehran

Iranian Syndicate of Aluminum Industries

No. 7 (ground fl.), Shahid Sar’afraz St. (2nd St.), Ostad Motahhari Ave., Tehran

Iranian Syndicate of Elevators & Escalators Industries

No. 20 (3rd fl.), Hoursar St., Tehran Vila St., Sattarkhan Ave., Tehran

www.iseei.org

Iranian Telecommunication Industries Syndicate

No. 954-Shariati Ave. – 1556914846 – Tehran – Iran

www.telecomsyndicate.ir

Iranian Electrical Industry Syndicate (IEIS)

No. 192, after Mofatteh junction, Ostad Motahhari Ave.,

www.ieis.ir

Iranian Holder of Human Pharmaceutical Industries Syndicate

No. 3 (unit 21), Darou Gostar Bldg., Bistoun St., Fatemi Sq., Tehran

syndipharma.org\

Gas Industries & Household Appliances Council

No. 2/5, Mobini Alley, Yousefi St., (before Takhti Sq.) Shahid Beheshti Ave., Tehran

d. 3 Iranian Foundations (Bonyads)

The Iranian foundations (which are called “Bonyad” in Persian) were formed in the aftermath of the Islamic Revolution, in 1979, to undertake social, cultural and economic tasks and responsibilities within the state sector. The most prominent ones among all are the five following foundations which are each administered by a person representing the Supreme Leader of the Islamic Revolution:

-Mostazafan and Janbazan Foundation (the Foundation for the deprived and the War disabled- “MJF”)

-The Imam Khomeini Relief Committee

-The Housing Foundation

-The Martyrs’ Foundation

-The 15th Khordad Foundation

Established by a special decree of Imam Khomeini, in March 1979, to assist low-income social groups, Bonyad Mostazafan & Janbazan (MJF) is the most significant of all Iranian foundations. This foundation provides its clients with basic commodities, interest-free loans and other forms of support by virtue of the assets confiscated from the leaders of the pre-revolutionary regime. However, subsequent to a structural changes in 1980, “MJF” is now divided into two sections: one in charge of all matters concerning the Iraqi imposed war veterans and the other responsible for the charities extended to the deprived people.

d. 4 Labor Unions

The Labor House and the Islamic Labor Union are the two major active labor unions in the Islamic Republic of Iran.

The Labor House being identified with its leftist tendencies has set up a political formation called the Labor Party.

Moreover, the Islamic Labor Union is known to be closer to Iran’s conservative faction.

d. 5 Administrative Divisions

Iran consists of 31 provinces, each headed by a governor general. The provinces are further divided into counties, districts and villages.

According to the provisions of Article 7 of the Constitution, the city and village councils in Iran together with the Islamic Consultative Assembly (Majles) are decision-making and administrative bodies of the state. The first local council elections, across the country, were held in 1999.

These councils, being elected by direct vote of the local residents to four-year terms, are legally in charge of various tasks and responsibilities, such as electing mayors, monitoring performances of municipalities, considering social, cultural, economic and welfare needs of their constituencies, and coordinating the public participation in the implementation of the due plans and programmes.

d. 6 Participation and Membership in International Organizations

Iran is an active, and in some cases, a founding member of numerous international bodies, including the following:

UN, UNCTAD, UNESCO, UNIDO, UNHCR, WHO, UPU, WCL, WCO, WFTU, WEF, WMO, ECO, ESCAP, FAO, IAEA, OIC, IDB, ICAO, ILO, IMF, ISO, ITU, OPEC, NAM, IMO, Inmarsat, Intelsat, Interpol, CP, IBRD, ICC, ICRM, IDA, IFAD, IFC, IFRCS, IHO, IOC, OPCW, PCA, G7, G77, G15, G24 and D8.

Moreover, Iran enjoys observer status in: WTO, IOM, SCO and the Shanghi Treaty.

CHAPTER 2

Economy

a. Iran at a Glance

Topography of Iran

Iran, located in southwest Asia, with an area of 1,648,000 square kilometers is one of the largest countries in the region with the borders with Middle East, some members of council of Europe, Eurasia and sub-continents of India. It ranks sixteenth, in terms of size, among the countries of the world.

Iran shares its northern borders, extending for more than 2,000 km, with three “CIS” states, namely, the Republic of Azerbaijan, Armenia and Turkmenistan.

The length of the common border between Iran and the said countries includes almost 650 km of water along the southern shore of the Caspian Sea, which is the world’s largest lake. The altitude of this lake is about 25m below sea level.

Iran’s eastern borders are with Afghanistan, on the north, and Pakistan, on the south. To the west lie Turkey, on the north, and Iraq on the south, terminating at a shared river called “Arvand Rud” or “Shatt al-Arab” by, respectively, the Iranians and the Iraqis.

Furthermore, the Persian Gulf and the Sea of Oman, providing Iran with its main access to international waters, make up for the entire 1,770 km southern border of this country. From the historical point of view, it may be asserted that Iran’s mountains have contributed, at a notable degree, to shape both the economic and political circumstances of the country for several consecutive centuries.

This country consists of uneven mountainous rims surrounding high interior basins.

Rimming the Caspian Sea littoral is the Alborz mountain range with the volcanic mount Damavand (5,610 m) as the country’s highest peak. Damavand is also the highest mountain on the Eurasian landmass west of the Hindu Kush.

Iran has two expanses of lowlands, i.e. the Caspian Sea coastal plain in the north and the Khuzestan Plain in the southwest. The former being both longer and narrower extends for about 640 km along the Caspian shore.

However, its widest point is less than 50 km, while at some places less than 2 km separate the shore from the Alborz foothills.

The Khuzestan Plain should be considered a roughly triangular-shaped extension of the Mesopotamia Plain which averages about 160 km in width. It extends for some 120 km inland, rising a few meters above sea level, then meets sharply with the first foothills of the Zagros. A sizable portion of the Khuzestan Plain is covered with swamps.

Meanwhile, the Persian Gulf coast south of Khuzestan and the Sea of Oman coast have no real plains because the Zagros in these areas come right down to the shore.

Iran, at its center, comprises several closed basins that collectively are termed as the Central Plateau. The Central Plateau is mostly sand or rock desert with an average altitude of about 900m. A number of the mountains that tower over the said plateau exceed 3,000m. There are two salt deserts, namely, the Dasht-e-Kavir (Great Salt Desert) and the Dasht-e Lut on the eastern side of the said plateau. Excluding some scattered settlements, these deserts are almost entirely uninhabited.

Karun, with a length of 830 km, is the main navigable river in Iran, where the shallow-draft boats can navigate from the port of Khorramshahr to Ahvaz (the provincial seat of Khuzestan), with a distance of about 180km.

Other major rivers include the Karkheh (700km long) which flows into Tigris, and Zayandeh Rud (300km long). Several other permanent rivers and streams drain into the Persian Gulf, while a number of small rivers that originate from Zagros or Alborz drain into the Caspian Sea.

Moreover, there is a permanent salt lake in the northwestern part of Iran, called Lake Uromiyeh, whose brine content is too high to support fish or other species of aquatic life.

Climate

Iran which has a variable climate, experiences four distinct seasons, ranging from very cold winters in most parts of the country to hot and dry summer time. The northwest being the coldest section of the country, enjoys winters with heavy snowfall and subfreezing temperatures from December to February.

On the Central Plateau and along the coastal zone rimming the Persian Gulf, the average daily temperatures can even reach, sometimes, 50C (122F) during summer. However, winters are generally mild in the latter-mentioned areas of Iran. Humidity can extremely be disturbing in the summer months.

The extreme climatic diversity between the north and south of Iran implies the fact that while one can ski down the slopes in the vicinity of Tehran in late winter, he/she would have also the chance to take a dive in the warm water of the Persian Gulf later the same day after a short flight from the capital city to Kish Island or Bandar Abbas.

In general, Iran has an arid climate in which most of the annual precipitation falls from October through April. In most parts of the country, the annual precipitation is around 25cm; the major exceptions are the mountainous areas in the north, the higher mountain valleys of the Zagros and the Caspian coastal plain, where precipitation averages at least 50cm yearly. In the western part of the Caspian, rainfall exceeds 100cm annually and is distributed relatively evenly throughout the year. This contrasts with some basins of the Central Plateau that receive around 10cm or less of precipitation annually.

Flora & Fauna

The land covered by Iran’s natural flora is four times that of the Europe’s. There are more than 2,000 plant species throughout the country.

Over one-tenth of the entire area of Iran is forested. The most extensive growths are located on the mountain slopes along the Caspian Sea, with stands of oak, ash, elm, cypress and other precious trees.

Moreover, on the proper parts of plateaus, areas of scrub oak grow on the best-watered mountain slopes, where the local inhabitants cultivate orchards and grow the plane trees, poplar, willow, walnut, beech, maple and mulberry. Wild plants and shrubs spring from the barren land in the spring season which provide for pasturage, but are burnt away by the summer sun.

The major types of forests that exist in Iran and their respective areas are as follows:

1. The Caspian forests of the northern parts of Iran (19,000 km2).

2. Limestone mountainous forests in the northeastern districts, i.e., juniperus forests (13,000 km2).

3. Pistachio forests located in the eastern, southern and southeastern districts of the country (26,000km2).

4. Oak forests in the central and western districts of Iran (35,000km2).

5. Shrubs of the desert districts in the central and northeastern parts of the country (10,000km2).

6. Sub-tropical forests of the southern coast rimming the Persian Gulf, such as the Harra forests (5,000km2).

On the other hand, the wildlife of Iran are varied. Domestic animals of this country include sheep, goats, cattle, horses, water buffalo, donkeys and camels. Bears in the mountains, wild sheep and goats, gazelles, wild asses, wild pigs, panthers and foxes abound. The Persian leopard is said to be the largest of all the subspecies of leopards in the world. The main range of this species in Iran closely overlaps with that of Bezoar Ibex. Hence, it is found throughout Alborz and Zagros mountain chains, as well as smaller chains within the Iranian plateau. Leopard population is very sparse, due to loss of habitat and natural prey, on one side, and population fragmentation, on the other. Besides Bezoar Ibex, wild sheep, boar, deer and domestic animals make up for leopards’ diet in this country.

Furthermore, Iran lost all its Asiatic Lions and Caspian Tigers by the earlier part of the last century.

The Asiatic Cheetah is a critically endangered species which extinct elsewhere and now can only be found in Iran. The pheasant, partridge, stork and falcon are native to this country.

Population

Iran’s unique location at the crossroads of three most populated continents, i. e., Asia, Africa and Europe, has caused the existence of many ethnic groups within its territory.

Over half of the population is of Persian origin, while about a quarter are Azeri-speaking people. A large group of Kurds and smaller minorities of Arab and Baluch also exist in, respectively, western, southwestern and southeastern regions of the country.

The years following the 1979 revolution coincided with a rapid rise in population figures. Changes in population structure during the past three decades resulted in aggregation of demands for education, health, and the most important of all, employment of the youth.

A brief review of the population and housing censuses conducted by the Statistical Centre of Iran (SCI) since 1996 reveals the aforementioned changes in the combinational structure of Iran’s population during the said period of time.

The official figure concerning the Iranian year ending in March 2000 display the fact that the annual population growth rate was stabilized at approximately 1.6 percent. The population size was estimated at in excess of 62.8m at that time.

Based on the 1996 census, 51 percent of the country’s population was under 20 years old.

According to the results of the 2000 census, the urban areas accommodated over 63 percent of the total population, with 39.7m urban dwellers. The greater Tehran area had a population in excess of 10m.

However, the decline in fertility rate in recent years reduced the population growth. As a result of the alterations which occurred during the past 30-year period of time, social affairs merited top priority on the country’s consecutive Socio-economic Development Plans. This assertion can obviously be noted in impressive improvement of educational, health, and income distribution indices.

Table 1.a.1 Population and Labor Force

|  |  |
| --- | --- |
| Population and Labor Force |  |
| Population (1386) (million) | 71.5 |
| Urban | 49.6 |
| Rural | 21.9 |
| Population Growth (1386) | 1.4 percent |
| Population Density (1386) | 43 per Square Km |
| Active Population (1387, Q3) | 22.3 million |
| Unemployment Rate (1387, Q3) | 9.5 percent |
| Literacy Rate (1386)(1): |  |
| 6 years and over | 85.6 percent |
| 6-29 years | 95.5 percent |

Source: Statistical Center of Iran (SCI)

(1) Vice - President for Strategic Planning and Control

Table 1.a.2 Real Sector

|  |  |
| --- | --- |
| Real Sector (1386) |  |
| GDP Growth (1376=100) |  |
| Oil | 6.9 percent |
| Non-Oil | 7.6 percent |
| GDP Growth (4th FYDP target) (1381=100) |  |
| Average Period | 8.0 percent |
| 1386 | 7.8 percent |
| Performance of 1386 (current prices; billion Rls.) |  |
| GDP | 2,623,177 |
| Gross Fixed Capital Formation | 683,850 |
| Private Consumption Expenditures | 1,195,294 |
| Public Consumption Expenditures | 296,794 |

Source: Statistical Center of Iran (SCI)

Table 1.a.3 Number of Schools, Classrooms and Teaching Staff (1)

(Thousands persons)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Academic year | | | | |  | Percentage change | |  | Share  (Percent) | |
|  | 1381-82 | 1382-83 | 1383-84 | 1384-85 | 1385-86 |  | 1384-85 | 1385-86 |  | 1384-85 | 1385-86 |
| **Number of schools** |  |  |  |  |  |  |  |  |  |  |  |
| Urban areas | 59.330 | 61.335 | 63.481 | 66.449 | 67.314 |  | 4.7 | 1.3 |  | 45.9 | 46.4 |
| Rural areas | 75.336 | 76.247 | 77.334 | 78.268 | 77.850 |  | 1.2 | -0.5 |  | 54.1 | 53.6 |
| **Total** | 134.686 | 137.582 | 140.815 | 144.717 | 145.164 |  | 2.8 | 0.3 |  | 100.0 | 100.0 |
| **Number of classrooms** |  |  |  |  |  |  |  |  |  |  |  |
| Urban areas | 416.296 | 413.256 | 407.656 | 412.999 | 413.185 |  | 1.3 | 0.1 |  | 63.4 | 64.0 |
| Rural areas | 250.108 | 247.427 | 242.935 | 238.368 | 232.007 |  | -1.9 | -2.7 |  | 36.6 | 36.0 |
| **Total** | 666.404 | 660.683 | 650.500 | 651.367 | 645.192 |  | 0.1 | -0.9 |  | 100.0 | 100.0 |
| **Number of staff** |  |  |  |  |  |  |  |  |  |  |  |
| Urban areas | 614.066 | 646.441 | 644.190 | 645.243 | 635.101 |  | 0.2 | -1.6 |  | 70.2 | 70.5 |
| Rural areas | 289.556 | 278.749 | 278.749 | 274.058 | 266.162 |  | 3.4 | -2.9 |  | 29.8 | 29.5 |
| **Total** | 903.622 | 925.190 | 925.190 | 919.301 | 901.263 |  | 1.1 | -2.0 |  | 100.0 | 100.0 |

Source: Ministry of Education

(1) FIncludes kindergartens, primary schools, junior high schools, public high schools and pre-academic centers.

Table 1.a.4 Number of Students

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Academic year | | | | |  | Percentage change | |  | Share  (Percent) | |
|  | 1381-82 | 1382-83 | 1383-84 | 1384-85 | 1385-86 |  | 1384-85 | 1385-86 |  | 1384-85 | 1385-86 |
| Kindergartens | 404 | 439 | 492 | 540 | 533 |  | 9.8 | 2.4 |  | 3.5 | 3.7 |
| Primary schools | 7.029 | 6.648 | 6.207 | 6.007 | 5.828 |  | -3.2 | -3.0 |  | 39.1 | 39.0 |
| Junior high schools | 4.865 | 4.678 | 4.371 | 4.146 | 3.939 |  | -5.2 | -5.0 |  | 27.0 | 26.4 |
| High schools (day and night schools) | 3.828 | 3.030 | 2.977 | 2.957 | 2.921 |  | -0.7 | -1.2 |  | 19.2 | 19.6 |
| Technical and professional schools | 304 | 335 | 350 | 352 | 341 |  | 0.6 | -3.1 |  | 2.3 | 2.3 |
| Skill education centers | 445 | 453 | 445 | 454 | 434 |  | 2.0 | -4.4 |  | 2.9 | 2.9 |
| Pre-university centers | 455 | 436 | 413 | 419 | 421 |  | 1.5 | 0.5 |  | 2.7 | 2.8 |
| Teacher training centers | 10 | 9 | 9 | 10 | 14 |  | 11.1 | 40.0 |  | 0.1 | 0.1 |
| Others (1) | 543 | 515 | 492 | 480 | 480 |  | -2.4 | 0 |  | 3.1 | 3.2 |
| **Total** | **17.886** | **16.543** | **15.756** | **15.365** | **14.931** |  | **-2.5** | **-2.8** |  | **100.00** | **100.00** |

Source: Ministry of Education

(1) Includes adult students in primary schools, junior high schools, public high schools and pre-academic centers.

Table 1.a.5 Students Admitted to Universities and Higher Education Institutes by Sex

|  |  |  |  |
| --- | --- | --- | --- |
| Academic Year | Both sexes | Male | Female |
| 1370-71 ………………………………… | 71433 | 50765 | 20668 |
| 1375-76 ………………………………… | 158065 | 90600 | 67456 |
| 1380-81 ………………………………… | 1205026 | 98589 | 106437 |
| 1381-82 ………………………………… | 221006 | 104079 | 116927 |
| 1382-83 ………………………………… | 261401 | 120399 | 141002 |
| 1383-84 ………………………………… | 266470 | 123503 | 142967 |
| 1384-85 ………………………………… | 340526 | 154669 | 185857 |
| 1385-86 ………………………………… | 237320 | 119840 | 117483 |

Source: Statistical Centre of Iran

Table 1.a.6 Students Admitted to the Islamic Azad University by Sex

|  |  |  |  |
| --- | --- | --- | --- |
| Academic Year | Both sexes | Male | Female |
| 1365-66 ………………………………… | 5996 | 3305 | 2691 |
| 1370-71 ………………………………… | 74682 | 44009 | 30673 |
| 1375-76 ………………………………… | 148745 | 82845 | 65900 |
| 1380-81 ………………………………… | 172810 | 86241 | 86569 |
| 1381-82 ………………………………… | 182009 | 87164 | 94845 |
| 1382-83 ………………………………… | 257793 | 126292 | 131501 |
| 1383-84 ………………………………… | 297637 | 154325 | 143312 |
| 1384-85 ………………………………… | 372024 | 167575 | 204449 |

Source: Statistical Centre of Iran

Table 1.a.7 Minimum Monthly Wage (1)

(Rials)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1381 | 1382 | 1383 | 1384 | 1385(1) |
| Minimum Monthly Wag  | 698.460  (22.5) | 853.380  (22.2) | 1.066.000  (24.9) | 1.266.784  (18.8) | 1.500.000  (18.4) |
| Average consumer price index (1376=100) | 206.0  (15.8) | 238.2  (15.6) | 274.5  (15.2) | 307.6  (12.1) | 349.5  (13.6) |
| Minimum real Wag  | 339.058  (5.8) | 358.262  (5.7) | 388.342  (8.4) | 411.828  (6.0) | 429.185  (4.2) |

Source: Social Security Organization

(1) Figures in parentheses indicate percentage change over the previous year.

Table 1.a.8 Annual Increase in Government Employees’ Salary (1)

(Percent)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1381 | 1382 | 1383 | 1384 | 1385(1) |
| Salary coefficient | 290  (11.5) | 320  (10.3) | 350  (9.4) | 380  (8.6) | 430  (13.2) |
| Annual percentage increase Total increase | 3-5  14.5-16.5 | 3-5  13.3-15.3 | 3-5  12.4-14.4 | 3-5  11.6-13.6 | 3-5  16.2-18.2 |
| Inflation rate  | 15.8 | 15.6 | 15.2 | 12.1 | 13.6 |

Source: Social Security Organization

(1) Figures in parentheses indicate percentage increase in salary coefficient compared with the

Table 1.a.9 Income Distribution Inequality Index in Urban Areas

(Percent)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1381 | 1382 | 1383 | 1384 | 1385 |
| **Share of income deciles** |  |  |  |  |  |
| 1st decile | 1.9 | 2.0 | 2.1 | 2.1 | 2.0 |
| 2nd decile | 3.3 | 3.3 | 3.5 | 3.5 | 3.5 |
| 3rd decile | 4.4 | 4.4 | 4.6 | 4.6 | 4.5 |
| 4th decile | 5.4 | 5.4 | 5.6 | 5.6 | 5.6 |
| 5th decile | 6.6 | 6.6 | 6.8 | 6.7 | 6.8 |
| 6th decile | 7.9 | 7.9 | 8.1 | 8.0 | 8.1 |
| 7th decile | 9.6 | 9.8 | 9.8 | 9.8 | 10.0 |
| 8th decile | 12.0 | 12.2 | 12. | 12.4 | 12.6 |
| 9th decile | 16.5 | 16.4 | 16.8 | 16.6 | 16.7 |
| 10th decile | 32.4 | 32.0 | 30.3 | 30.7 | 30.1 |
| **Ratio of richest 10 percent of households to poorest 10 percent** | **16.9** | **16.2** | **14.6** | **14.5** | **14.9** |

Source: Social Security Organization

Table 1.a.10 Number of the Insured and Pensioners Supported by Social Security Organization

(Persons)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Academic year | | | | | Percentage change | |
|  | 1381 | 1382 | 1383 | 1384 | 1385 | 1384 | 1385 |
| **Main and dependent insured** | **25,050,143** | **25,330,561** | **“** | **24,932,842** | **24,564,318** | **0** | **-1.5** |
| Main(1) | 6,588 | 7,048,905 | 7,161,865 | 7,437,840 | 7,512,024 | 3.9 | 1.0 |
| Employed | 5,591,265 | 6,021,798 | 6,123,839 | 6,369,988 | 6,599,277 | 4.9 | 3.6 |
| Unemployed | 116,268 | 131,850 | 133,552 | 127,024 | 15,187 | -4.9 | 18.2 |
| Dependent | 18,461,905 | 18,281,656 | “ | 17,495,002 | 17,052,294 | 0 | -2.5 |
| **Main and dependent pensioners** | **2,463,670** | **2,742,283** | **“** | **2,957,304** | **3,211,940** | **0** | **8.6** |
| Main | 1,256,572 | 1,362,323 | 1,250,621 | 1,358,006 | 1,473,112 | 8.6 | 8.5 |
| Retired | 463,404 | 521,424 | 558,008 | 629,591 | 685,735 | 12.8 | 8.9 |
| Disabled | 71,471 | 78,559 | 72,988 | 57,798 | 80,860 | 3.8 | 8.7 |
| Survivors | 721,697 | 762,340 | 619,625 | 652,617 | 706,517 | 5.3 | 8.3 |
| Dependent | 1,207,098 | 1,379,960 | “ | 1,599,298 | 1,738,828 | 0 | 8.7 |
| **Total** | **27.513.813** | **28.072.844** | **27.541.000** | **27,890,146** | **27,776,258** | **1.3** | **-0.4** |

Source: Social Security Organization

(1) Includes self-employed insured, drivers, especial insured and optionally insured.

Table 1.a.11 Number of People Covered by Medical Services’ Insurance organizations

(Thousands persons)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | | | | Percentage change | |
|  | 1381 | 1382 | 1383 | 1384 | 1385 | 1384 | 1385 |
| staff fund | 6,888 | 6,933 | 6,916 | 6,904 | 6,996 | -0.2 | 13 |
| self-employed fund | 774 | 583 | 400 | 369 | 283 | -7.8 | -23 |
| Others fund | 1,630 | 1,492 | 1,554 | 1,525 | 1,860 | -1.9 | 22.0 |
| self-employed  hospitalized persons | 3,842 | 5,277 | 6,547 | 7,362 | 7,873 | 12.4 | 6.9 |
| Rural dwellers fund | 23,480 | 23,406 | 23,720 | 21,016 | 20,207 | -11.4 | -3.9 |
| Other | “ | “ | 18 | 17 | 13 | -5.6 | -23.5 |
| **Total** | **36,614** | **37,691** | **39,155** | **37,193** | **37,232** | **-0.5** | **0.1** |

Source: Medical Services Insurance Organization

Rapidly growing supply of labour force called for taking certain measures by the government, such as utilization of administered funds, extending facilities through the Oil Stabilization Fund (OSF)-a special fund set up by the government to support productive activities aimed at creating employment opportunities-and providing for special advantages and facilities to SMEs. These initiatives led to increasing demand for labour force and reducing the rate of unemployment. Allocation of U.S. $ 14.997b by the Oil Stabilization Fund (OSF) for the implementation of the approved projects and U.S. $ 9.612b for the concluded contracts, are examples of the above-said public-sector adopted measures to contribute to the national labor-market development.

Figure 1.a.1 Changes in Unemployment Rate over Successive Seasons during the Years 2005-2008 (percent)

Source: Statistical Centre of Iran (SCI)

Meanwhile, on the basis of the census carried out by the Statistical Centre of Iran (SCI) in late 2007, Iran’s total population was 70.473m of whom 34.616m were female and 35.857m were male. The annual average growth of female and male were measured 1.6 and 2.7 percent, correspondingly.

25.1 percent of the population were under 15 years of age, 69.7 percent comprised the active population of 15-64 and 5.2 percent were over 65 years old.

Table 1.a.12 Population Age Structure

(Percent)

|  |  |  |  |
| --- | --- | --- | --- |
| Age groups | 1383 | 1384 | 1385(1) |
| Young population (under 15) | 28.6 | 27.6 | 25.1 |
| Population (15-64) | 66.7 | 67.7 | 69.7 |
| Old population (over 65) | 4.7 | 4.7 | 5.2 |
| Total | 100.0 | 100.0 | 100.0 |

Source: Vice President for Strategic Planning and Control

(1) Figures for 1385 are based on the census conducted by the SCI.

The 2007 census revealed that the total population grew by 1.6 percent, up by 0.1 percentage point compared with the previous year. The Gender Ratio (the number of male per 100 female) was 104. Therefore, it should be concluded that 50.9 percent of the country’s population were male and 49.1 percent were female.

Moreover, 68.5 percent of the total population dwelled in urban and 31.5 percent in rural areas. The mentioned figures show 0.6 percentage point increase in urban and the same amount decline in rural population. The current rural-urban trend of migration should be related to higher average level of services and employment opportunities in urban areas than those in rural areas.

Further burden on government to cope with increasing demand of growing number of unemployed people or those in search of better jobs and higher income, on the one hand, and emergence of greater and more severe challenges for urban environmental sustainability are, inter alia, unavoidable consequences of such migrations.

Table 1.a.13 Number of People Covered by Medical Services’ Insurance organizations

(Persons)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Total | | |  | Urban aras | | |  | Rural areas | | |
|  | Male and Female | Male | Female |  | Male and Female | Male | Female |  | Male and Female | Male | Female |
| 1380 | 14.7 | 13.9 | 18.9 |  | 15.0 | 13.3 | 26.5 |  | 14.3 | 14.8 | 11.7 |
| 1381 | 12.2 | 10.9 | 19.5 |  | 13.1 | 10.9 | 28.4 |  | 11.1 | 11.0 | 11.3 |
| 1382 | 11.3 | 9.8 | 20.5 |  | 12.1 | 9.8 | 27.4 |  | 9.9 | 9.8 | 10.2 |
| 1383(1) | 10.3 | 9.0 | 17.8 |  | 12.3 | 10.2 | 27.1 |  | 6.8 | 6.8 | 6.6 |
| **1384:** |  |  |  |  |  |  |  |  |  |  |  |
| Ordibehesht | 11.9 | 10.3 | 18.0 |  | 14.6 | 11.8 | 27.0 |  | 7.2 | 7.4 | 6.7 |
| Mordad | 10.9 | 9.5 | 16.1 |  | 13.7 | 11.1 | 25.1 |  | 6.0 | 6.2 | 5.5 |
| Aban | 10.9 | 9.4 | 16.7 |  | 13.0 | 10.6 | 24.4 |  | 6.7 | 7.0 | 6.0 |
| Bahman | 12.1 | 11.10 | 17.1 |  | 13.8 | 11.7 | 23.8 |  | 8.9 | 9.4 | 7.0 |
| **1385:** |  |  |  |  |  |  |  |  |  |  |  |
| Ordibehesht | 11.0 | 10.1 | 14.3 |  | 13.3 | 11.3 | 22.0 |  | 6.8 | 7.6 | 4.7 |
| Mordad | 10.2 | 8.8 | 15.4 |  | 12.9 | 10.5 | 24.1 |  | 5.3 | 5.5 | 5.0 |
| Aban | 11.6 | 10.2 | 17.6 |  | 13.5 | 11.1 | 25.2 |  | 7.9 | 8.4 | 6.2 |
| Bahman | 12.1 | 11.0 | 16.7 |  | 13.8 | 11.7 | 32.6 |  | 8.8 | 9.6 | 6.3 |

Source: Statistical Center of Iran (SCI)

(1) In 1383, Household Employment and Unemployment Characteristics Survey was conducted only in Ordibehesht and Aban

Table 1.a.14 Annual Average Gross Income Per Urban Household by Income Groups

(Rials)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 1381 | |  | 1382 | |  | 1383 | |  | 1384 | |  | 1385 | |  | Percentage change | |
|  | Income | Share (%) |  | Income | Share (%) |  | Income | Share (%) |  | Income | Share (%) |  | Income | Share (%) |  | 1384 | 1385 |
| **Gross monetary income** | **29,887,788** | **74.2** |  | **33,983,082** | **73.7** |  | **41,697,965** | **74.9** |  | **50,840,987** | **76.4** |  | **57,783,811** | **74.5** |  | **21.9** | **13.7** |
| Wage and salary  Public sector | 7,576,145 | 18.8 |  | 7,524,290 | 16.3 |  | 9,756,801 | 17.5 |  | 12,030,928 | 18.1 |  | 13,334,659 | 17.2 |  | 23.3 | 10.8 |
| Wage and salary  Private sector | 4,784,578 | 11.9 |  | 5,864,394 | 12.7 |  | 7,273,960 | 13.1 |  | 8,930,187 | 13.4 |  | 10,261,832 | 13.2 |  | 22.8 | 14.9 |
| Self-employed in  agricultural sector | 660,400 | 1.6 |  | 743,090 | 1.6 |  | 1,239,985 | 2.2 |  | 1,108,494 | 1.7 |  | 1,618,133 | 2.1 |  | -(2) | 46.0 |
| Self-employed in  non-agricultural sector | 9,617,927 | 23.9 |  | 11,141,388 | 24.2 |  | 13,370,182 | 24.0 |  | 16,870,189 | 25.4 |  | 18,359,553 | 23.7 |  | 26.2 | 8.8 |
| Miscellanneous | 5,056,317 | 12.6 |  | 6,363,480 | 13.8 |  | 7,200,300 | 12.9 |  | 8,501,813 | 12.8 |  | 11,046,375 | 14.2 |  | 18.1 | 29.9 |
| Sale of second-hand goods | 2,192,421 | 5.4 |  | 2,346,440 | 5.1 |  | 2.856,737 | 5.1 |  | 3,99,376 | 5.1 |  | 3,163,259 | 4.1 |  | 19.0 | -6.9 |
| **Non-monetaruyincome** | **10,365,499** | **25.8** |  | **12,147,469** | **26.3** |  | **13,964,325** | **25.1** |  | **15,676,289** | **23.6** |  | **19,769,874** | **25.5** |  | **12.3** | **26.1** |
| Owner -occupied houses | 8,299,933 | 20.6 |  | 9,753,330 | 21.1 |  | 10,973,943 | 19.7 |  | 12,242,323 | 18.4 |  | 15,514,652 | 20.0 |  | 11.6 | 26.7 |
| Others | 2,065,566 | 5.1 |  | 2,394,139 | 5.2 |  | 2,990,382 | 5.4 |  | 3,433,966 | 5.2 |  | 4,255,222 | 5.5 |  | 14.8 | 23.9 |
| **Total**(1) | **40,235,287** | **100.0** |  | **46,130,551** | **100.0** |  | **55,662,290** | **100.0** |  | **66,517,276** | **100.0** |  | **77,553,685** | **100.0** |  | **195** | **16.6** |

Source: Statistical Center of Iran (SCI)

(1) Includes estimates of rental value of houses in lieu of services and free rental goods and services in lieu of wage and salary and free of charge (not from another household) and production out of agricultural and non-agricultural proceeds to be used at home.

(2) As the number of sample households was insignificant, figures are not reliable and can not to be compared with the previous year.

On the basis of the above-mentioned census, performed in late 2007, Tehran province had the highest share of total population of the country by 19 percent (13.4m persons). The active population reached 23.5m in 2007.

Table 1.a.15 Distribution of Population According to Urban and Rural Areas

(Thousands persons)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | Percentage change | | Share  (Percent) | |
|  | 1381 | 1382 | 1383 | 1384 | 1385(1) | 1384 | 1385 | 1384 | 1385 |
| Urban areas |  |  |  |  |  |  |  |  |  |
| Total population | 43,710 | 44,835 | 45,966 | 47,096 | 48,245 | 2.5 | 2.4 | 67.9 | 68.5 |
| Rural areas(2) |  |  |  |  |  |  |  |  |  |
| Total population | 22,590 | 22,480 | 22,378 | 22,294 | 22,228 | -0.4 | -0.3 | 32.1 | 31.5 |
| Total | 66,300 | 67,315 | 68,344 | 69,390 | 70,473 | 1.5 | 1.6 | 100.0 | 100.0 |

Source: Statistical Center of Iran (SCI)

(1) Figures are based on the census done in 1385.

(2) Includes non-resident population.

Language

According to Article 15 of the Constitution of the Islamic Republic of Iran, Persian or Farsi, is the official language of the country. Hence, all written communications and official correspondences with the public-sector entities must be arranged in Persian. The local dialects or languages, including Azeri, Kurdish, Lori and Baluchi, are also spoken in the relevant regions and districts, along with Farsi. Moreover, English is prevalently understood and, if necessary, used within the local trade communities.

Religion

Islam is, according to the Constitution of the Islamic Republic of Iran, the official religion of the state. Shi’ite Muslims comprise over 98 percent of the population. Furthermore, there are small communities of religious minorities throughout the country, including Christians (mostly Armenians and Assyrians), Zoroastrians and Jews. The three aforementioned communities are represented in the national parliament (the Islamic Consultative Assembly), in accordance with the provisions of the Constitution of the Islamic Republic of Iran.

b. A Brief Historical Review

Based on numerous archaeological studies, including extensive excavations carried out by the Iranian and non-Iranian experts, tribal settlements have been found in portions of modern-day Iran since at least 10,000 B. C., particularly in the areas along the Caspian Sea. However, there are some other competent experts who are of the opinion that man has existed on the Iranian Plateau from as far as 15,000 years ago.

Irrespective of the above-mentioned arguments among archaeologists and ethnologists, the name “Iran” originates from the term “Arya” by which the tribes inhabiting the Iranian Plateau have attributed to themselves since the second millennium B. C. when Indo-European migrants settled in the region.

Subsequently, a branch of the Aryans, named the Medes, settled in the western part of the plateau, designating the ancient city of Ekbatan (today’s Hamadan) as their capital city. Almost at the same time, another branch of the Aryans, called the Pars, settled in the south-eastern part of the plateau with their capital city in the vicinity of today’s Shiraz, i.e the Pasargad.

The two afore-mentioned tribes were ultimately united following the conquest of the Pars over the Medes, laying the foundation of the first Persian Empire, i.e the Achaemenid Empire, by 533 B. C., with Cyrus the Great as its founding father.

Cyrus and his successors caused prosperity for many years, conquering during their reign over the Greek Empire, Babylon, Egypt, large portions of today’s Indian subcontinent and local governments as far north as the Caucasus. They created one of the most developed civilizations in the world, up to that time, with a vast network of paved roads, a courier service, irrigation canals, developed agriculture, mineral exploitation and cloth and carpet weaving.

The Persian Empire, at its peak, extended its territorial sovereignty from the Sind to the Danube and from Central Asia to the heart of Africa.

Supported by historical evidences, the Persian rulers were identified with just and fair treatment of their subjects and the people of the lands annexed to their territory. Introducing a system of measures, weights and coinage and promotion of trade exchanges were among the policies and initiatives adopted and implemented by the Achaemenid kings. The foundation of the Silk Road and the initial attempt to construct the Suez Canal (with the purpose to connect the Persian Gulf with the Mediterranean through the Indian Ocean) took place during the rule of this dynasty.

This Empire was finally succeeded by Alexander in 331 B. C., following whose death came a power struggle among his generals, ultimately ending to the establishment of the Seleucid Dynasty. This too was in turn replaced by the Sassanians whose empire was terminated by the Arab warriors at the battle of Qadasiya in 637 A. D. This event, considered to be one of the most determining turning points in the history of Iran, delivered a number of significant results, inter alia, introduction of Islam as the national religion, absolute rule of Arabs for almost two centuries and profound influence of Islamic characteristics and values on the Persian language, culture and arts.

In the millennium-long interval between the Arab invasion and founding of the Safavid Dynasty, in the 16th century, Iran was often a battlefield for various tribes and peoples whose origins, apart from a few exceptions, came from outside the Persian cultural boundaries, such as the Seljuk, the Mongols and the Timurids.

With the Safavids coming to power, national order and territorial sovereignty and integrity restored to Iran, the Shi’ite branch of Islam was established as the state religion and arts, architecture and trade flourished superbly.

The Safavids were, subsequently, succeeded by the Afshars and Zands, who ruled for only a very short period and being finally replaced by the Qajars, in 1796. The Qajars who remained in power til 1926 despite the increasing influence of Russia and Britain, particularly in their latter years of reign, selected Tehran, for the first time, as the state’s capital city.

Iran’s chaotic political system and deteriorating economy after the end of the World War I, on one side, and further intensification of the foreign powers’ influence, particularly the British, on the other side, paved the way to a coup d’etat staged by Reza Khan, an officer in the Cossack Brigade of the army in 1921. Reza Khan who was appointed as prime minister two years later, subsequently, crowned himself as the founder of the Pahlavi Dynasty in 1926, after the abdication of the last Qajar king, Ahmad Shah, by the parliament.

Following Reza Shah’s forced abdication in 1941, he was succeeded by his son, Mohammad Reza, at a time when Iran had been occupied a few days earlier by the Allied Forces and being used by them as a supply route to the Soviet Union. Such occupation and flagrant foreign intervention in the Iranian national sovereignty and territorial integrity resulted in the formation of a nationalist movement-even before the departure of the foreign troops.

This movement, known as the National Front, was led by the popular Prime Minister, Dr. Mohammad Mussadiq, who enjoyed the support and collaboration of a wide spectrum of the Muslim Cleric, headed at the time by Ayatollah Kashani.

Among the prominent initiatives undertaken by the Mussadiq government was nationalization of the Iranian oil industry, which had been, hitherto, in the hands of the British.

Mossadiq was decisively opposed by two major forces from, respectively, inside and outside the country. On the domestic front, he was firmly confronted by the Shah who enjoyed the backing of the armed forces.

Moreover, the pressures on the nationalist government was further intensified by various sorts and guises of overt and covert conspiracies hatched by the British whose unjustified interests had been jeopardized earlier through the nationalization of the Iranian oil industry.

Ultimately, an alliance between the Iranian royal court and the British which also received the blessing and active participation of the U. S. Administration, resulted in a pro-Shah / pro-Western coup in 1953.

The following episode of the Iranian contemporary history, culminating in the 1979 Islamic Revolution, should be characterized by the Shah’s personality cult prevailing almost in every aspect of the Iranian society.

Strict imposition of various kinds of restrictions on independent political parties, NGOs, professional associations and the media, lack of sufficient efficiency and productivity in the public sector organizations and enterprises, gradual alienation of the middle class and intelligentsia from the unilateral state plans which often fell in failure, along with an endemic bitter sense of betrayal among the masses for the regime’s humiliating concessions towards its Western allies, particularly the U. S., were among the main reasons giving momentum to the public dissent.

The national uprising in 1963 led by Ayatollah Khomeini, the assassination of the prime minister and an attempt on the life of the Shah in 1965 were some of the outstanding events revealing general public’s dissatisfaction with ruling regime’s way of governance during the period 1953-1979.

The Shah’s policies and style of rule, on one hand, and the popular leadership of Ayatollah Khomeini, on the other hand, finally prepared the grounds for widespread protests, demonstrations and strikes throughout the country. These events, in turn, led to Imam Khomeini’s return to Iran to lead the country as well as the Islamic Revolution.

Subsequently, Iran was proclaimed as an Islamic Republic, on 1st April 1979-a proclamation that was overwhelmingly endorsed by the entire nation in a national referendum thereafter. The Islamic Revolution is considered to be one of the most dynamic changes in Iran’s contemporary history in which an autocratic monarchy was replaced by an Islamic Republic.

c. Contemporary Politics

c. 1 Structure of Government

The structural system of government in Iran is “Islamic Republic” which was founded right after the collapse of the Pahlavi regime and the triumph of the Iranian Revolution of 1979. Iran became officially an “Islamic Republic” subsequent to a nation-wide referendum, in March 1979, which secured 98.2 percent of the total vote.

According to the Constitution ratified in a separate referendum, the same year, Islamic principles underlie all political, social, cultural and economic affairs of the state. It is, in fact, a unique form of government wherein “Islamic” and “Republican” structures are combined and run parallel to one another.

The fundamental concept of this “theocratic republic” derives from a religious-political theory set by the first leader of the Revolution and founder of the Islamic Republic of Iran, the late Imam Khomeini, which essentially asserts the idea of the rule of a competent jurisprudent or “Jurisprudential Guardianship” (Velaayat-e-Faqih). This term implies that an Islamic state is to be guided by an eligible religious jurist in the absence of the Twelfth Imam.

Upon the demise of Imam Khomeini, in June 1989, who enjoyed a unique religious and popular authority, he was succeeded by the present Supreme Leader, Ayatollah Seyyed Ali Khamenei.

The configuration and arrangement of each and every segment and component part in the Islamic Republic of Iran is devised in such a manner that makes them vertically and horizontally accountable.

This general formulation even applies to the Supreme Leadership of the Republic who is subject to a sophisticated system of checks and balances through the elected Assembly of Experts. The latter body, consisting of highly competent Islamic jurists, has been provided with the constitutional authority to appoint, supervise and, if deemed necessary, to dismiss the Supreme Leader. Based on the said preamble, it is plausible to state that the system of government in today’s Iran is a blend of democracy and theocracy. This concept is endorsed and provided by the Constitution, enacted in 1979 and revised in 1989.

However, there are three branches of authority under the Supreme Leader, i.e the Executive (the cabinet headed by the President of the Republic), the Islamic Consultative Assembly (the Parliament or Majles) and the Judiciary.

Furthermore, Iran is a member of the United Nations Organization (UN) and numerous other global and regional bodies, such as the World Bank, IMF, FAO, OPEC, OIC and ECO. Safeguarding the independence and territorial integrity of the country and negation of any alien influence and domination over all aspects of Iran’s domestic and foreign policy, are among the basic principles pursued by the Iranian government. Concurrently, Iran is constantly striving to set up and further promote cordial bonds with all nations of the world, on the basis of equality and mutual respect for political sovereignty and national independence of all concerned parties.

c. 2 Leadership (Jurisprudential Guardianship)

Jurisprudential Guardianship or Velaayat-e-Faghih is the highest-ranking status in the Islamic Republic of Iran. According to the Constitution all three branches of government, namely the Executive, the Legislative and the Judiciary are headed by Vali-e-Faghih (Supreme Leader) and secure their legality and legitimacy from the latter’s endorsement.

The 1979 Islamic Revolution transformed Iran from an autocratic monarchy to an Islamic system. This required a senior cleric in Islam who is also an Islamic jurist of the highest rank to head the nation as its Supreme Leader.

The concept should be traced to the late Imam Khomeini’s religious-political theory which subsequently was reflected into the Article 107 of the 1979 Constitution as a state principle.

The Assembly of Experts, presently a group of 86 clerics who are elected for 8-year terms, has been entrusted with the Constitutional right to elect, supervise and, if necessary, to dismiss the Supreme Leader.

In accordance with the provisions of Article 110 of the Constitution, the Supreme Leader of the Islamic Republic of Iran has the authority to set the guidelines of Iranian domestic and foreign policy. Moreover, the Leader is the commander-in-chief of all armed forces, commands all the security forces and is entitled to declare war or peace. Meanwhile, he is authorized to endorse the decree of the elected President, at the beginning of each term, to formalize the latter’s tenure as well as dismissing him, if he is tried by the Supreme Court and considered politically incompetent.

Besides the aforementioned rights and authorities, the Supreme Leader is legally entrusted with the commitment to appoint or remove the following officials:

-head of the judiciary system;

-the six clerical jurisprudents (foghaha) of the 12-member Guardian Council;

-commanders of the regular armed forces;

-commanders of the Islamic Republic Revolutionary Guards Corps (IRGC);

-Supervision of the Islamic Republic of Iran Broadcasting-IRIB-(the national radio and television networks);

-the provincial Friday Prayers Leaders.

Since June 04, 1989, Ayatollah Seyyed Ali Khamenei has been acting as Iran’s Supreme Leader.

c. 3 Executive Branch

Article 113 of Constitution of the Islamic Republic of Iran defines “the President as the highest state authority after the Supreme Leader. He is responsible for implementing the Constitution and acting as the head of the Executive (branch of the government), apart from the matters directly concerned with (the office of) the Leadership”.

The President is elected by universal suffrage, by those 18 years old and older, for a term of four years and may be elected for a successive term, but only once, though he could run again after sitting out a term. However, presidential nominees must secure the approval of the Council of Guardians prior to running. The President of the Islamic Republic of Iran has the legal authorization to appoint, supervise and dismiss members of the Council of Ministers, subject to confirmation by the Islamic Consultative Assembly (Parliament or Majlis). He coordinates the government decisions and sets the policies to be placed before the legislature. At present, 10 Vice-Presidents as well as 21 ministers serve under the President.

Moreover, the President also acts as chairman of a number of highly significant bodies at the national level, such as the Supreme National Security Council, the Supreme Council of Economy and the Supreme Council of the Cultural Revolution.

Taking the above into account, it is quite safe to say that though the strongest power centre in Iran is the office of the Supreme Leader, however, without the coordination and cooperation of the President the stability of the state could not be maintained as easily and smoothly as has been the case up to the present time.

Since June 2005, Dr. Mahmoud Ahmadinejad, the former Mayor of Tehran, has been acting as the President of the Islamic Republic of Iran.

He was re-elected for a further 4-year term in the Presidential poll held in June 2009.

c. 4 Legislative Branch: Majles

Iran’s legislative power, known as the Islamic Consultative Assembly (Majles-e Showra-ye Eslami) has 290 members who are elected by the citizens’ direct vote for a four-year term.

In line with the provisions of the Constitution which allows for an increase of up to 20 electoral seats in every decade, the number of seats was raised in the 6th Majles from 270 to the above-mentioned figure to account for population growth.

The Majles is Iran’s basic legislative body, hence a key institution. In normal circumstances, all the legislations passed by the parliament turn into a binding law after being verified and confirmed by the Constitution’s Guardian Council (GC). The Guardian Council which functions, more or less, like an upper house of parliament, primarily checks all parliamentary bills against the Constitution as well as the Islamic principles, prior to granting them their approval.

However, in case of dispute between the Islamic Consultative Assembly and the Guardian Council disagree on a bill, another body named the Expediency Discernment Assembly, empowered by the Supreme Leader, gives the final vote on disputed approvals.

Nonetheless, the Constitution has meticulously been drafted in a manner to provide to the Legislative Branch authorities proportionate to those of the other two branches of the state government. That is why even the Supreme Leader, with his elaborate span of authorities, is not legally authorized to dissolve the parliament.

In accordance with the provisions of Article 76 of the Constitution the Islamic Consultative Assembly is entitled to investigate and examine any and all affairs of the nation.

Assessment and approval of the annual state budget, drafting of all legislations, ratification of international treaties, protocols and agreements, consenting to minor changes in the country’s boundaries, given such alterations are recognized in the national interest, with the endorsement of 80 percent of the deputies, extending vote of confidence to the cabinet ministers, consideration of the government-originated bills and the bills securing support of at least 15 deputies, and approval of the cabinet’s request for the proclamation of martial law (for a period of less than 30 days) are among the significant duties, rights and responsibilities granted by the Constitution, exclusively, to the Islamic Consultative Assembly.

c. 5 Judiciary Branch

The Judiciary Branch of the Islamic Republic of Iran is an independent power supporting the individual and social rights of the citizens.

The Supreme Leader directly appoints (and is also entitled to dismiss) the head of the Judiciary, therefore, the Judicial Branch is entirely independent from the Executive and Legislative Branches.

The head of this branch of the Iranian state is the highest-ranking official of the Judiciary who, in line with provisions of the Constitution, is selected by the Supreme Leader for a five-year term. Moreover, the Chief Justice and Prosecutor General are chosen by head of the Judiciary after consultations with the judges of the Supreme Court, whose term of office is five years.

According to the Constitution, all trials, including cases of political and press offences should be held in open sessions, unless this is deemed in contrast with public ethics and social order. This decision is, however, solely and exclusively, within the jurisdiction of the due presiding judges.

The Iranian judicial system striving to be compatible with the Islamic principles, underwent a profound transformation, in terms of civil and penal codes, legal procedures as well as organizational structure after the Islamic Revolution in 1979. In view of the vital role played by the judicial power in defining an unprecedented legal framework and executing the component parts and elements of justice during the past three decades, it sounds reasonable to underline the unique importance of this branch of the Islamic government, as a determining power center, throughout the post-revolutionary process of state-building.

In January 1998, for the very first time after the triumph of the Islamic Revolution in Iran, a number of female judges were appointed.

In August 2009, Ayatollah Seyyed Mahmoud Shahroudi, who served as the head of Judiciary Branch for two consecutive 5-year terms, was succeeded by Ayatollah Sadegh Larijani Amoli.

c. 6 The Guardian Council

The Guardian Council (“GC”-Showra-ye Negahban) consists of 12 members, six clerics and six lay jurists. The clerical members of the Council are appointed by the Supreme Leader, while the remaining members, i.e. the six jurists, are elected by the Islamic Consultative Assembly from among twelve competent lawyers nominated by the head of the Judiciary.

Each member of the Council serves a three-year term, which may be extended for another three years.

The Guardian Council vets candidates for national elections, interprets the Constitution and determines whether bills passed by the “Majles” are in compliance with both the Islamic principles and the Constitution. Moreover, it is also in charge of assessing validation of election results.

c. 7 The Expediency Discernment Assembly

The Expediency Discernment Assembly or, in short, the Expediency Assembly (EA), created in 1986 by Imam Khomeini’s decree, is one of the key institutions in today’s power structure of the Islamic Republic of Iran.

This Assembly is, in fact, a mediator and an arbitrator between the Islamic Consultative Assembly and the Guardian Council in cases of deadlocks between the two bodies.

It has also the authority to overrule the Constitution, should it is deemed expedient and in the interests of the Islamic Republic to do so.

Furthermore, the Expediency Assembly functions as an advisory body to the Supreme Leader, making it one of the most powerful governing bodies in Iran.

Due to the composition and arrangement of its members who represent a broad spectrum of the existing political factions and opinions within the country, the Expediency Assembly could be regarded an effective and well balanced entity in the governing establishment of the Islamic Republic of Iran. The Assembly is chaired by Ayatollah Akbar Hashemi Rafsanjani, the former President.

c. 8 Assembly of Experts

The Assembly of Experts (Majels-e-Khobregan) is one of the most significantly powerful entity in the government of the Islamic Republic of Iran.

The first Assembly of Experts, comprising 75 members, was elected by a nation-wide poll in August 1979. The main mission entrusted to the first Experts Assembly was to draft the Constitution of the Islamic Republic of Iran, which upon its accomplishment was dissolved.

The second Assembly, elected by the Iranian citizens in 1982, consisted of 83 members.

However, this Assembly presently a group of 86 prominent Islamic jurisprudents, are elected for an 8-year term. According to the provisions of a decree issued by the Assembly of Experts in 1980, the members of the Assembly are nominated by each of the provinces proportionate with their population size. Should the population of a province exceeds one million, then it is entitled to elect one additional member for each additional half million residents.

The main duties of this body which is based in the holy city of Qom, include the election of the Supreme Leader, according to Article 107 of the Constitution and his replacement, should he die or fails to perform in office or to present the requisite qualifications, in accordance with the provisions of Article 111 of the Constitution.

The Assembly convenes at least once a year for a two-day meeting in Tehran.

Following the demise of Imam Khomeini in 1989, the Assembly of Experts elected Ayatollah Seyyed Ali Khamenei as Iran’s second Supreme Leader.

Mahdavi Kanni, is concurrently the head of the Expediency Assembly.

c. 9 Supreme National Security Council (SNSC)

Chapter 8 of the Islamic Republic of Iran’s Constitution, embodying only one article, i.e Article 176, establishes the Supreme National Security Council (SNSC).

“SNSC” being set up in 1989, consists of the heads of the three branches of government along with the heads of the Management and Planning Organization (MPO-currently, Vice-President for Strategic Planning & Control), the Joint Chiefs of Staff Office, a high-ranking representative of the Army and the Revolutionary Guards Corps (RGC) as well as the minister related to the relevant agenda of the Council.

Setting and articulating the state’s defense and security policies, ensuring the necessary coordination between the country’s activities and national defense and security requirements and adjusting available resources aimed at defending and supporting the national interests of Iran against any and every domestic and foreign threats are, inter alia, the essential responsibilities of the “SNSC”.

Concerning the foreign policy, SNSC’s involvement is limited only to cases immediately affecting the defense and security issues.

d. Other Major Forces

d.1 The Mass Media

The Constitution of the Islamic Republic of Iran sanctions freedom of the press as long as published material is not considered to be in contravention with the Islamic principles. However, the criteria for being anti-Islamic are sometimes a bit ambiguous in practice. The publisher of a newspaper or periodical is required to obtain a valid publication license from the Ministry of Culture and Islamic Guidance. While all the media, print and electronic, are expected to adhere to professional standards and ethics, such as being fast, timely and honest in their efforts to disseminate information, they do not necessarily endorse every official policy and stance of the government. Hence, they definitely enjoy a much greater deal of freedom and independence in comparison with their counterparts in other countries in the region. Nonetheless, they are constantly trying to further add to their existing freedom of action through various means and ways.

All radio and television broadcasting is administered by a head appointed by the Supreme Leader, thus independent from the cabinet’s control and influence. Besides the headquarters of the Islamic Republic of Iran Broadcasting (IRIB) which is based in Tehran, there are further radio and television stations in major provincial seats, such as Azerbaijan, Kurdistan, Shiraz, Esfahan, Khorassan, Kerman, Gilan, Mazandaran and Bandar Abbas, which some of them also produce and broadcast programs in the prevalent local languages and dialects.

Moreover, Iran is among the world countries having record number of privately-owned and run Internet-based information sites containing authentic and indigenous materials in Persian (Farsi), English and other popular languages of the world. The Islamic Republic News Agency (IRNA), the Central News Bureau (affiliated to the Islamic Republic of Iran Broadcasting- “IRIB”), and the two dailies “Tehran Times” and “Kayhan International” are among the major English news sources inside Iran. “IRNA” is regarded to be a highly reliable source for official news about Iran, while “Tehran Times” is a well-connected newspaper that prints stories, sometimes, unique from those covered by other publications. The other media sources in Iran rely on major newswires, such as the Reuters and AFP, for their top stories. Furthermore, a number of sites post newspaper clippings in Persian or translate articles from Iranian papers.

Following is a list of some of the Iranian media in the specified field of information.

• News

“IRNA”-the official news agency of Iran.

“IRIB” News-Islamic Republic of Iran Broadcasting.

Echo of Iran-the oldest English news bulletin in Iran.

Iran Weekly Press Digest-Provides a complete account of political, social and economic developments of Iran.

“ISNA”-Iranian Student News Agency.

“Mehr News”-Provides domestic and international news coverages.

Press TV-Iran-based news network.

Cultural Heritage News Agency (CHN)-Covers culture and cultural heritage news.

Sahar International Network-Iran-based TV network.

• Daily Papers

Keyhan International-English edition of the large-circulated Tehran daily.

Tehran Times-Features the latest news about Iran, the Middle East and the world.

Ettela’at-International edition of a wide-circulated daily paper.

Ettela’at page 8-PDF (English)

Iran Daily-Published by the an Iranian institute, containing articles and images in PDF format.

Iran News Daily-English daily newspaper published in Tehran.

Mellat Electronic Newspaper-Provides comprehensive news and information on the activities of the Islamic Consultative Assembly (Majles).

• Radio & TV Broadcast

IRIB World Service Index

IRIB English (World Service)

Press TV

Sahar International Network

• Business & Financial News

IRNA Economy-The official news agency of Iran, a highly reliable source of information about official economic news in Iran.

Daily Market Summary-Tehran Stock Exchange.

Mehr News (Economic)-Coverage of financial, business and economic news, including oil and gas updates.

Iran Business & Economy-Comprehensive listing of resources, news, industries, business directories and associations.

d.2 Chamber of Commerce, Industries and Mines

Background

Iran Chamber of Commerce, Industries and Mines (ICCIM) is an important body representing the private sector in Iran. The Chamber is a financially independent entity in charge of promoting trade through appropriate policies and actions, such as holding professional conferences and seminars, organizing trade fairs and establishing direct contacts with pertinent partners. Among its duties and responsibilities are: to settle disputes between and amongst traders by providing them with expert consultations and arbitration services. The Chamber, furthermore, collaborates with the state competent ministries and departments in formulating the required laws and regulations on trade, industry and mining.

From the historical point of view, the roots of the Chamber must be traced back to the late 19th century when a prominent trader of the time supported by a group of Tehran-based businessmen managed to secure the consent of the government to form the first-ever Assembly of Traders’ Representatives in Iran. The articles of association of the Assembly, or Majles, were subsequently endorsed by the king in 1883.

The Assembly (Majles) of Trade being, actually, a circle of the Iranian traders’ representatives was a manifestation of the traders’ new social movement in the above-said era. It had the authority to devise plans aimed at achieving economic progress through promotion of domestic and external trade transactions and play the role of a dispute-settlement body among traders. Financial security, creation of an office for the registration of properties and documents and an indiginous modern bank, protection of the local traders’ interests against foreign traders, improvement of quality and diversity of the local industrial goods in order to increase their competitiveness vis-a-vis the imported products and prevent counterfeiting of the exported goods were among the immediate goals sought by the Assembly of Trade.

Moreover, due to increasing number of active Iranian businessmen in some regional metropoles, such as Istanbul, Baku and Baghdad, similar “Assemblies” were also set up in those cities.

However, the Trade Assembly’s operations did not last for a long time and it was ultimately dissolved by the government because of so many plots and conspiracies hatched against the “Assembly” by a coalition of opposing forces, including the businessmen who had gone bankrupt by the implementation of new rules and regulations, some brokers who were displeased with the monitoring system designed by the Majles of Trade, and, last but not the least, a number of officials in Tehran and the provincial seats whose illegitimate interests had been jeopardized by the rule of law.

The Current Situation

Reviewing the current status of Iran Chamber of Commerce, Industries & Mines (ICCIM), following are among the duties and authorities entrusted to the Chamber by law:

-Creating coordination and cooperation among the businessmen, industrial, mineral and agricultural entrepreneurs in enforcing the relevant laws and current regulations of Iran.

-Offering advice to the legislative, judiciary and executive powers on economic issues, such as commerce, industry and mining.

-Communicate with the chambers of other countries and establish joint commissions and chambers with them, on the basis of strategic policies of Iran.

-Hold specialized and commercial exhibitions inside and outside Iran and participate in seminars and conferences related to the Chamber’s professional activities.

-Survey the foreign target markets for Iranian export goods.

-Encourage domestic investments in production affairs, particularly production of export goods with competitive advantages.

-Investigate and arbitrate the national and international issues and differences which may arise between the members and other applicants. -Generate economic statistics and administer a specialized data-base.

-Set up export and import unions and manufacturing syndicates in the fields of trade, industries, mines and services.

Administrative Configuration

“ICCIM” has a Board of Directors consisting of 7 members, while the Board of each provincial Chamber comprise 5 members who are elected for 4-year terms at the first meeting of the Board of Representatives. The executive affairs of the Chamber are assigned to the Secretary General who is proposed by the President of the Chamber and approved by the Board of Directors.

Enforcement of the resolutions of the Supreme Supervisory Council and those of the Board of Representatives, studying and confirming the suggestions and reports of the Chamber’s Commissions for their subsequent submission to the Board of Representatives and the Supreme Supervisory Council, appointing the Chamber’s delegates to domestic and international meetings, and examining, approving and appropriating the Chamber’s annual budget (prepared by the Secretary General) for its final ratification by the Board of Representatives are among the jurisdictions of “ICCIM” ’s Board of Directors. The same tasks are also considered for the Board of Directors of the provincial Chambers. Meanwhile, the Board of Representatives of Iran Chamber comprise the elected members of all existing Chambers across the country as well as the representations of the unions and syndicates affiliated to the Iran Chamber.

The concerned Chamber’s Board of Representatives will be elected for a period of 4 years for their subsequent introduction to the Iran Chamber.

The duties and authorities of the Iran Chamber Board of Representatives are as follows:

-Appointment of the Board of Directors;

-Assessment, approval and appropriation of the Chamber’s budget;

-Consideration of the reports and suggestions of the Commissions and other parts of the Chamber;

-Formation of the required Advisory Commissions;

-Recommendation of the by-laws of the “ICCIM” ’s law, and their subsequent amendments, to the Supreme Supervisory Council.

Specialized Commissions

The specialized commissions of Iran Chamber of Commerce, Industries and Mines (ICCIM) are as follows:

-Entrepreneurship & Capital Market Commission

-ICT and E-Commerce Commission

-Mines Commission

-Tourism Commission

-Macro-Economy, Insurance & Bank Commission

-Energy Commission

-Trade Commission

-Societies Commission

-Legal, Judicial & Business Manner Commission

-Transit Transportation & Customs Affairs Commission

-Outlook Plan & General Policies of the Article 44 Commission

-Industry Commission

-Exports Commission

Societies

Iranian Union of Medical Equipment Businessmen

Iranian Union of Tea Traders & Distributors

Nos. 29, 30, Saraye Sina, near Melli Bank (Bazar branch) Sabze Meidan, 15th khordad st., Tehran.

Iranian Union of Vegetable Oil Producers & Exporters

Iran Exporters Association of Skin, Pickles skin & Leather

www.IPLEASSO.com

Iranian Union of Mineral Products Manufacturers & Exporters

No. 254, ICCIM’s North Bldg., Taleghani Ave., Tehran

www.irempa.ir

Iranian Carpet Exporters Association

Iran Textiles Industries & Apparels Exporters Union

www.iranapparels.com

Gas Industries & Household Appliances Council

No. 2/5, Mobini Alley, Yousefi St. (before Takhti sq.), Shahid Beheshti Ave., Tehran

www.council.ir

Iranian Holder of Pharmaceutical Industries Syndicate

No.12, Daru Gostar Bldg. (unit 12), Bistun St., Dr. Fatemi Sq. Tehran

Iranian Assembly of Communication & Information Technologies

No.12, (5th Fl.), Hakimi Alley, Shahid Beheshti Ave., Tehran

Iranian Export Assembly Confederation

No. 254 (3rd fl.), corner of Forsat St., Taleghani Ave. Tehran

www.irane.org

Iranian Center of Engineering & Management Network

1st Bldg. of Industrial Management Organization (3rd fl.), corner of Jame-Jam Bldg., Valiasr Ave., Tehran

Hygienic, Cosmetic & Perfume Products Manufacturers Association No. 66, Mada’en Alley, Fajr St., Ostad Motahhari Ave., Tehran-No. 162 (3rd fl., unit 6), Mirdamad Blvd.

Iranian Assembly of Steel Exporters

No. 1, Ahmad Ghasir Ave., Tehran

www.aispex.ir

Iranian Association of Mineral Water Manufacturers

No. 44 (6th fl., unit 11), East Hoveizeh St., North Sohrevardi Ave., Tehran

Human Sources Management Association of Iran

Valfajr Shahrak, 9th St., Iranshenasi St., S. Sheikh Bahaee Ave., Tehran

www.hrmsociety.ir

Quality Management Society of Iran

No. 4(2nd fl.), between 7th & 9th Sts., Ibne Sina St., Seyyed Jamal-e-din Asadabadi Ave., Tehran

www.iranqms.com

Industrial Managers Association

No. 248, opposite Mir-e-mad St., Ostad Motahhari Ave., Tehran

www.amsiran.com

Shipping Association of Iran

www.shippingassociationofiran.org

Iran Pistachio Association

Kerman Chamber of Commerce

www.pistachioiran.com

Iranian Energy Consumption Syndicate

www.iranecs.com

Iranian Steel Producers Association

No.46 (unit 2), corner of Naseri Alley, Afriqa Blvd., Tehran

Organic Association of Iran

No. 254, ICCIM’s North Bldg., corner of Forsat St., Taleghani Ave., Tehran

Organic-agriculture.persianblog.ir

Stone Association of Iran

No. 15 (8th fl.), next to Tejarat Bank, Sarv Sq., Sa’adat-abad Ave.

www.stoneassoc-ir.com

Iranian Auto Part Manufacturers Association

No. 26, before Taleghani Ave., 6th St., Villa St., Karimkhan Ave., Tehran www.iapma.ir

The Association of Iran Industry Equipment Manufacturers

No. 89 (1st fl.), before Sohrevardi St., Dr.Beheshti Ave., Tehran

www.satsa.ir

Iranian-Foreign Joint Ventures Association

No. 245, ICCIM’s North Bldg., Taleghani Ave., Tehran

www.iran-investment.com

International Transport Companies Association of Iran

www.itair.com

Iranian Wholesale Distribution Companies Association

No. 60, end of 7th Fath St., opposite Milk Co., on the 3km of Old Karaj road, Tehran

Iranian Association of Leasing Companies

No. 239 (1st fl.), before Jahan-e-Koudak Crossroads, Afriqa Ave., Tehran

Association of Iranian Confectionary Manufacturing Companies

No. 41, 12th Alley, Shahid Qanbarzadeh Street, Shahid Beheshti Ave., Tehran, Iran

www.iranianacm.com

Iranian Association of Generators Industries

No. 83, Shahid Dastgerdi (Zafar) St., Shariati Ave., Tehran

Iranian Association of Porcelain Industries

No. 29, Vanak St., Vanak Sq., Tehran

www.zariniran.com

Association of Iran Textile Industries

No. 28 (5th fl.), Kandovan Alley, opposite Ostad Nejatollahi St., Enghelab Ave., Tehran

www.aiti.org.ir

Gypsum Industries & Mines Association

No. 254, ICCIM’s North Bldg., Taleghani Ave., Tehran

Iranian Lead & Zink Industries and Mines Association

No. 5, 7th Alley, Nobakht Street, Apadana Ave., Tehran-Iran

www.ilzima.org

Iranian Association of Detergent, Hygienic and Cosmetics

No. 86, (2nd fl.), 7th Alley, Shahid Kabkanian St., Keshavarz Blvd., Tehran

www.dhci.org

Iran Foundry Syndicate (IFS)

No. 200 (1st fl.), next to the Bargh Department, Northen Bahar St., Tehran

Exports & Product Assembly-Iran Baraye Farda (IBF)

No. 22 (4th fl.), 8th St., Motahhari Ave., Tehran

www.iranibf.com

Iranian Association of Recycling Industries

www.airi.ir

Iranian Carpet Exporters Association

No. 29, Farrashbashi Alley, Pachenar Bazar, Khayyam St., Tehran

Ship Owners Union

No. 221 (5th fl.), beginning of Iran shahr St., Karimkhan Bridge, Tehran

Pharmaceutical Medical Equipment Dietary Supplement

No. 6, Pirouz Alley, Africa Ave., Tehran, Iran.

www.pourateb.com

Iranian Association of Cement Manufactures & Exporters

No. 4, forth Alley, Pakestan St., Shahid Beheshti Ave., Tehran

Iranian Exporters Union of Fruits, Vegetables and Flowers

No. 254, ICCIM’s North Bldg., Taleghani Ave., Tehran

Iran Manufacturing-Exporting Association of Liquorices

Karimkhan-e-Zand Ave., Shiraz Chamber of Commerce, Shiraz/Iran

Syndicate of Iranian Pharmaceutical Importers

No. 107, Sibooyeh Junction, Western Shahid Ghandi Ave., Northern Sohrevardi Ave

www.siphi.org

Iran Textiles Exporters Association (ITEA)

No. 51 (5th fl.), Khosro Alley, after Kalantari St., Ostad Nejatollahi St., Tehran

www.iranapparels.com

Iranian Union of Customs Brokers

No. 36 (unit 6), Kabkanian Alley, Keshavarz Blvd., Valiasr Sq., Tehran

Casing Exporters Association of Iran

No. 826, Karbascian Bldg. (2nd fl.), 15th Khordad Ave.

www.irancasing.com

Iranian Association of Home & Office Furniture Exporters

No. 36 (2nd fl.), 37th St., Seyyed Jamale-Asad Abadi Ave., Tehran

Kadoos.ir/CMSApp/cmsMain.aspx -e-din (Jamal-e-din)

Iranian Association of Software Exporters

No. 17 (5th east fl.), Hakimi Alley, Pakistan St., Dr. Beheshti Ave., Tehran

Iran Fisheries Organization

No. 1050/6, (11th fl., unit 9), after Beheshti Crossroads, Vali Asr Ave., Tehran

www.shilat.com

Iranian Oil, Gas, & Petrochemical Products Exporters Association

No. 30, 7th St., Sarafraz St., Dr Beheshti Ave., Tehran, Iran

www.opex.ir

Exporters Association of Medicinal herbs & Food Products

(1st fl., unit 6) Golestan Building, corner of 6th Alley, Hasani St., Karim Khan Ave., Tehran

Iran Dried Fruits Exporters Association

No. 19, Freidunshahr St., Azarshahr St., North Iranshahr Ave., Tehran

www.irandriedfruits.ir

Iran Printing Industry Exporters Union (IPIEU)

No. 5 (3rd fl.), A’laei St., Hedayat Ave., Tehran

www.ipieu.com

Iran Mine House

No. 25 (2nd fl.), South of Ostad Nejatollahi Ave., Tehran

www.iranminehouse.com

Syndicate of Steel Pipe & Profile Manufacturers

No. 5 (3rd fl.), 12th St., Sar’afraz St., Beheshti Ave., Tehran

www.sandika.ir

Iranian Motorcycle Manufacturers Syndicate

No. 26, Kourosh Building, After Sepah Store, South Ostad Nejatollahi Ave., Tehran

www.btm.ir

Iranian Syndicate of Motorcycle & Bicycle Parts Manufacturers

No. 60, Saeed Nour Mohammadi Beig Alley, between Vali Asr Ave. & Vahdat Eslami Ave., Molavi Ave., Tehran

www.simpm.ir

Syndicate of Paper & Cartoon Manufacturers

No. 233 (1st fl.), corner of 20th St., North Allame St., Saadat Abad Ave., Tehran

Iranian Syndicate of Leaven Manufacturers

No. 233 (1st fl.), corner of 20th St., North Allameh St., Saadat Abad Ave., Tehran

Iranian Veterinary Pharmaceutical Manufacturers Syndicate

No. 14 (4th fl.), East Arak St., Sepahbod Gharaney Ave., Tehran

www.irvpm-syn.com

Iranian Syndicate of Syringe & Needles’ Point Manufacturers

No. 13 (3rd fl.), Leili Alley, Vanak St., Vanak Sq, Tehran

Syndicate of Teflon Dishes Manufacturers

No. 25 (5th fl., unit 18), Shahid Farahanipour St., Asadabadi Ave. (9th St.), Tehran

Iranian Syndicate of Chemical & Pharmaceutical Materials

No. 115 (2nd fl.), next to the “Nehzat-e-Savad’amuzi”, Dr. Fatemi Ave., Tehran

Syndicate of Paint & Resin Manufacturers

No. 14 (6th fl.), East Armaghan Alley, Africa Ave., Tehran

www.parmai.com

Iranian Syndicate of Computers Manufacturers

No. 150, opposite Pars Hospital, Keshavarz blvd., Tehran

www.iitms.ir

Syndicate of Power Manufacturers Companies

www.pgcsyndicate.com

Iranian Syndicate of Canned Food Industries

No. 24, Tohid blind Alley, West side of Tohid Sq. Tohid Sq., Tehran

Iranian Syndicate of Aluminum Industries

No. 7 (ground fl.), Shahid Sar’afraz St. (2nd St.), Ostad Motahhari Ave., Tehran

Iranian Syndicate of Elevators & Escalators Industries

No. 20 (3rd fl.), Hoursar St., Tehran Vila St., Sattarkhan Ave., Tehran

www.iseei.org

Iranian Telecommunication Industries Syndicate

No. 954-Shariati Ave. – 1556914846 – Tehran – Iran

www.telecomsyndicate.ir

Iranian Electrical Industry Syndicate (IEIS)

No. 192, after Mofatteh junction, Ostad Motahhari Ave.,

www.ieis.ir

Iranian Holder of Human Pharmaceutical Industries Syndicate

No. 3 (unit 21), Darou Gostar Bldg., Bistoun St., Fatemi Sq., Tehran

syndipharma.org\

Gas Industries & Household Appliances Council

No. 2/5, Mobini Alley, Yousefi St., (before Takhti Sq.) Shahid Beheshti Ave., Tehran

d.3 Iranian Foundations (Bonyads)

The Iranian foundations (which are called “Bonyad” in Persian) were formed in the aftermath of the Islamic Revolution, in 1979, to undertake social, cultural and economic tasks and responsibilities within the state sector. The most prominent ones among all are the five following foundations which are each administered by a person representing the Supreme Leader of the Islamic Revolution:

-Mostazafan and Janbazan Foundation (the Foundation for the Deprived and the War Disabled- “MJF”)

-The Imam Khomeini Relief Committee

-The Housing Foundation

-The Martyrs’ Foundation

-The 15th Khordad Foundation

Established by a special decree of Imam Khomeini, in March 1979, to assist low-income social groups, Bonyad Mostazafan & Janbazan (MJF) is the most significant of all Iranian foundations. This “Bonyad” provides its clients with basic commodities, interest-free loans and other forms of support by virtue of the assets confiscated from the leaders of the pre-revolutionary regime. However, subsequent to a structural changes in 1980, “MJF” is now divided into two sections: one in charge of all matters concerning the Iraqi imposed war veterans and the other responsible for the charities extended to the deprived people.

d. 4 Labour Unions

The Labour House and the Islamic Labour Union are the two major active labour unions in the Islamic Republic of Iran.

The Labour House being identified with its leftist tendencies has set up a political formation called the Labour Party.

Moreover, the Islamic Labour Union is known to be closer to Iran’s conservative faction.

d. 5 Administrative Divisions

Iran consists of 31 provinces, each headed by a governor general. The provinces are further divided into counties, districts and villages.

According to the provisions of Article 7 of the Constitution, the city and village councils in Iran together with the Islamic Consultative Assembly (Majles) are decision-making and administrative bodies of the state. The first local council elections, across the country, were held in 1999.

These councils, being elected by direct vote of the local residents to four-year terms, are legally in charge of various tasks and responsibilities, such as electing mayors, monitoring performances of municipalities, considering social, cultural, economic and welfare needs of their constituencies, and coordinating the public participation in the implementation of the due plans and programs.

d. 6 Participation and Membership in International Organizations

Iran is an active, and in some cases, a founding member of numerous international bodies, including the following:

UN, UNCTAD, UNESCO, UNIDO, UNHCR, WHO, UPU, WCL, WCO, WFTU, WEF, WMO, ECO, ESCAP, FAO, IAEA, OIC, IDB, ICAO, ILO, IMF, ISO, ITU, OPEC, NAM, IMO, Inmarsat, Intelsat, Interpol, CP, IBRD, ICC, ICRM, IDA, IFAD, IFC, IFRCS, IHO, IOC, OPCW, PCA, G7, G77, G15, G24 and D8.

Moreover, Iran enjoys observer status in: WTO, IOM, SCO and the Shanghai Treaty.

CHAPTER 2

Economy

a. Iranian Economy at a Glance

Overview

Iran traditionally an agricultural country, has been striving to achieve industrialization and economic modernization, at least, since a century ago. However, the overall trend of the economic development which had gained a considerable degree of momentum in the late 60’s and most of the period in the 70’s of the 20th century slowed dramatically by 1978, a year before the advent of the Islamic Revolution.

In terms of many economic indicators and parameters, such as the population size, area of the land, richness in natural resources, inclination to technological progress and the economy of scale, to mention but a few, Iran is, undoubtedly, a unique and an unparallel market in the Middle East. In respect of a resource-based evaluation, the Iranian economy is regarded as the 20th strongest, at the global level.

Iran’s long-term goals since the Islamic Revolution, in 1979, have been, inter alia, to ensure economic independence, full employment and a comfortable standard of living for its citizens.

It should be noted that the economic policies adopted in Iran during the two decades after the Revolution were to a great extent politicized, originating basically from the revolutionary agenda and the 8-year war with Iraq. In line with the provisions of the Constitution of the Islamic Republic of Iran on the government’s role and duty to work towards the elimination of poverty, the government was entrusted with the responsibility to provide the basic commodities and services to the people.

In accordance with Article 43 of the Constitution, the economic policies of the country should be developed in a way to “fulfill the objectives of achieving economic independence of society, uprooting poverty and deprivation, and meeting human needs in the process of development while preserving human liberty”.

Therefore, the criteria behind the formation of state’s economic policies during the aforementioned span of time were as follows:

-ensuring individual liberties and opportunities for people to enable them to lead enriched lives by providing basic necessities, such as housing, food, healthcare and education;

-fostering employment opportunities with the objective of ensuring full employment;

-structuring work to allow free time for individuals;

-respecting individual’s free choice of occupation;

-prohibiting monopoly, hoarding, usury and other illegitimate and evil practices;

-avoiding extravagance and wastefulness in the economy;

-taking advantage of modern science and technology and training the work force, in line with the economic development requirements of the country;

-preventing foreign economic domination of the country;

-increasing agricultural and industrial production to meet the needs of the public and to ensure the country’s self-sufficiency.

However, at the end of the past century Iran’s economic prospects encountered with new challenges as well as unprecedented opportunities to attain the desired growth rates.

On the one side, the population more than doubled in that period, and in terms of age, grew increasingly young. Furthermore, in a country that has historically been both rural and agrarian, hence relatively self-sufficient in the volume and diversity of the needed food stuff and other relevant commodities, agricultural production has fallen, consistently, since the 1960s.

The economic hardship in the rural areas has driven vast numbers of people looking for employment opportunities and a better standards of living to migrate to large cities.

On the other side, the rate of literacy and life expectancy in Iran are notably higher than those in other countries in the region.

Table 2.a.1 Components of Iran’s HDI during recent years

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **GDP per capita** | **Education** | **Life Expectancy** |
| 2003 | 0.71 | 0.74 | 0.76 |
| 2004 | 0.72 | 0.75 | 0.76 |
| 2005 | 0.73 | 0.79 | 0.75 |

Source: UNDP, Human Development Report, 2007

Figure 2.a.1 Education Quality Indices in Iran

Source: Ministry of Education

After the end of the Iraqi imposed war on Iran, in 1988, the government by implementing a series of five-year socio-economic plans endeavored to develop the country’s manufacturing, transportation, communication, hospitals, schools and energy infrastructures, including its nuclear power facilities, and has taken the initiative to integrate its transportation and communication systems with those of neighboring states.

The competent decision-makers, having grasped the past and the existing shortcomings and obstacles, are now determined to promote investments (domestic and foreign) and encourage economic and trade liberalization by creating the requisite favorable environment. The steps taken so far have paved the way for the emergence of a flourishing market with unique opportunities, which deserve attention of those wishing to secure a desirable share for themselves in the current and future commercial activities of this country.

Strategic Economic Policies

In accordance with the provisions of Article 44 of the Constitution of the Islamic Republic of Iran, “the economic system of Iran shall be based on state, cooperative and private sectors with systematic and sound planning.

-The state sector includes all large-scale industries, mother industries, foreign trade, major mineral resources, banking, insurance, power generation, dams and large-scale irrigation networks, radio and television, post, telegraph and telephone services, aviation, shipping, roads, railroads and the like; and all these will be publicly owned and administered by the state.

-The cooperative sector includes cooperative companies and enterprises concerned with production and distribution in urban and rural areas, in accordance with Islamic criteria.

-The private sector consists of those activities concerned with agriculture, animal husbandry, industry, trade and services that supplement the economic activities of the state and the cooperative sectors.

Ownership in the aforesaid three sectors, so far as it conforms to other articles of this chapter, does not exceed the limits of Islamic laws, contributes to economic growth and development of the country, and does not harm the society, shall enjoy protection of law in the Islamic Republic.

Details of regulations, scope and conditions of the three sectors shall be determined by law”.

However, despite the aforementioned legal divisions and classifications of the Iranian national economic system, it should be noted that since right after the establishment of the Islamic Republic in Iran a much more flexible interpretation of the law has constantly been observed in practice and the private sector has been permitted, in reality, to assume an active role in almost every feasible economic field compared with those outlined in the Constitution.

Moreover, an amendment to the above-mentioned Article, ratified by the Expediency Council, in 2004, has paved the grounds for privatization of up to 80 percent of state assets, 40 percent of which will be carried out through the implementation of the so-called “Justice shares” Scheme and the rest via the Iranian Stocks Exchange Organization.

On the basis of the same amendment, the government will keep the title of the remaining 20 percent.

Taking the above preamble into account, it is logical to assert that throughout the past three decades, since the 1979 Revolution, the institutions and individuals in charge of formulating Iran’s economic policies along with their intended objectives have steadily distanced from the early ideological prejudices, thus growing increasingly pragmatic.

b. Development Plans & Privatization

b. 1 Five-Year Development Plans

The state’s development policies and objectives in Iran are focused within the framework of a series of Five-Year Economic, Social and Cultural Plans (FYPs). These plans, dating back to the 50’s of the 20th Century, are generally macro-oriented, centralized and devised on the basis of a set of top priorities, at the national level. The targeted output and expenditure comprise the two main focal points of these “FYPs”.

The task of generating such nation-wide frameworks for appropriation of national revenue, especially those secured through the sale of oil, towards capital-based progress had primarily been assigned to the Plan and Budget Organization which, subsequently, was re-named and re-structured as the Management and Planning Organization (MPO). This body, being currently a part of the President’s office, is called Vice President for Strategic Planning and Control. A new set of this mechanism was designed and launched just a year after the end of Iraqi imposed war, the period being called the “Construction Era”. Presently, implementation period of the fourth of these “FYPs” is already over.

The First “FYP” (1989-1994)

The 1st Five-Year Plan of the Islamic Republic of Iran, primarily and basically, targeted the most immediate socio-economic issues and problems of the country which some were the side-effects of the earlier policies adopted under the pressures of the particular conditions of the post-revolution era as well as those which emerged during the Iran-Iraq war.

The main goals of the first “FYP” were:

-to assign more freedom and maneuvering space to the private sector by reducing, partially, the state intervention in the national economy;

-to rationalize the existing subsidized prices;

-to create incentives for increase in the exportation of non-oil goods;

-to restrict and restructure, respectively, the amount and composition of imported commodities;

-to combat against the soaring inflation rate;

-to reduce unemployment through implementation of new investment projects and creation of more jobs;

-to introduce the requisite adjustments to the public-sector finances;

-to reduce the population growth rate;

-to increase spending on the public education.

The Second “FYP” (1995-2000)

While the first Five-Year Plan put emphasis on attaining the intended development and growth rate in the agricultural sector, there was, subsequently, a priority shift in the second Five-Year Plan towards further industrialization of the country. An impartial assessment of the 1st and the 2nd “FYP” would disclose the fact that though neither of the two plans was quite successfully translated from theory into practice, nonetheless, they definitely left their positive impacts on changing the passive economic paradigms of the 80’s into a more active market-oriented doctrine.

The main policies and objectives of the 2nd “FYP” were as follows:

-to further reduce the public-sector role and status in the provision of services by delegating more authorization to the private-sector;

-to further reduce subsidies;

-to give priority to on-going investment projects;

-to reduce the public-sector size through the merger of the ministries and state-owned institutions and organizations performing overlapping functions;

-to extend support for SMEs;

-to introduce multi-tiered exchange rates, aimed at improving Iran’s commercial competitiveness at the global level;

-to ensure higher degrees of productivity and efficiency in utilization of the current and capital public resources;

-to allocate savings to manufacturing and productive activities;

-to further reduce the population growth rate.

The Third “FYP” (2000-2005)

The main objectives and conceptual frameworks for the 3rd Five-Year Development Plan were, in fact, incorporated in the Economic Recovery Plan of August 1998 which, in practice, was considered to be more of a strategic outline than a blueprint for prescribed actions.

However, in the overall analysis of the Recovery Plan and the Third Five-Year Plan it seems sound to assert that the basic idea behind both was to initiate a number of major structural changes in the Iranian economy through introducing an equilibrium between the traditional state control and the market economy. The fundamental policies and objectives of the 3rd “FYP” were:

-to further promote the private-sector’s role in the national economy through reducing the public-sector’s involvements and responsibilities, and privatization of state-owned enterprises;

-to intensify economic competitiveness through market restructuring and regulation of monopolies;

-to achieve sustainable development through introduction of the required adjustments to the fiscal, monetary, commercial and exchange rate policies;

-to encourage domestic and foreign investments by removing the due impediments;

-to apply the necessary changes and adjustments to the state bureaucracy;

-to secure higher degrees of efficiency and productivity in utilization of the available resources;

-to ensure constant development in human resources;

-to reduce the unemployment rate through the creation of new employment opportunities;

-to secure a higher stake for the Iranian foreign trade at the global markets through the application of export promotion policies, particularly in relation to Iran’s non-oil exports;

-further allocation of the available resources for the intended R & D projects;

-higher emphasis on environmental issues and concerns.

According to the 3rd “FYP” as many as 538 state-owned companies had to be privatized. To this effect, the entire Chapter 3 of the Law of the 3rd Economic, Social and Cultural Development Plan was devoted to “the divestiture of the shares and management of the state-owned enterprises”. Article 9 of the above-said Law states that:

“in order to enhance efficiency and to raise productivity in utilization of the country’s material and human resources, to streamline government in the area of policy making, and also in order to promote the role and scope of the private and cooperative sectors, the shares and stocks of the state-owned enterprises that are transferable and whose continued operation in the public sector seems to be unnecessary, shall be sold to the cooperative and private sectors on the basis of the regulations set forth by this Law. Under equal conditions, priority shall be given to the War Veterans”.

However, there are a number of conditions and restrictions in divestiture of the shares, provided in the Article 10 of the said Law, such as “not jeopardizing national security or creating any instability in the sovereignty of the Islamic Republic of Iran”, or “not undermining the (political) system’s sovereignty or infringing upon people’s rights, or creating any monopoly”, or the need for such actions to “result in a healthier and more efficient management”.

Moreover, in line with the provisions of Article 12 of this Law a special body named “The High Commission of Divestiture” was set up, under the chairmanship of the Minister of Economic Affairs and Finance, “to coordinate, supervise and control the process of divestiture and to secure proper execution of the regulations of this Law”. The seven members of the latter High Commission, specified by Article 13 of the Law, were:

-Minister of Economic Affairs and Finance (Chairman of the Commission)

-Head of the State Management and Planning Organization (currently Vice President for Strategic Planning and Control).

-Governor of the Central Bank

-the relevant Minister

-Minister of Justice

-two observers, selected by the Parliament, representing the Parliamentary Commissions of “Economic Affairs” and “Plan and Budget”.

The mandates and powers of the “High Commission of Divestiture”, stipulated by Article 14 of the above-said Law, were:

-to confirm list of companies to be sold, dissolved or merged;

-to prepare an annual programme of sales, dissolutions or merging of companies;

-to monitor the divestiture process and present semi-annual progress reports to the Speaker of the Parliament;

-to organize cultural and publicity activities in order to promote divestiture;

-to propose to the Council of Ministers the draft of a by-law for an installment payment, in cases of necessity;

-to exercise methods of share pricing, discounts and to determine modes of payments by the buyers in the context of the By-Law, approved by the Council of Ministers;

-to approve directives for establishing priorities in sales of the shares of transferable companies;

-to approve the criteria for collection of the proceeds of the sales of goods;

-to approve the criteria for evaluation of the capacity, credit worthiness and obligations of the buyers, and the guarantee requirements in order to facilitate selection of the buyers.

In the meantime, Article 15 of the Law of the 3rd “FYP” sets the backbone of the Iranian Organization for Privatization in the manner explained hereunder:

“The Government shall set up an Organization for Privatization by modifying the Articles of Association of the Organization for Promotion of Ownership of Production Units. Shares of the companies that are appraised, and their modes of sales and the timetable determined by the High Commission of Divestiture, shall be given in trust by their holding companies to this Organization to process the divestiture …”

Moreover, “the concerned specialized holding companies are obliged to submit the financial information and required documentation to Iranian Privatization Organization, at most, within two months”. In accordance with the provisions of Article 16 of this Law: “the preferred shares shall be conferred upon the workers and employees of the divesting units. Also the Government may divest shares to the state organizations, retirement funds and its employees against their claims based on their agreement …”

At last, on the basis of Article 18 of the same Law: “In observation of Article 43 and 44 of the Constitution, the government may rent out through tender to cooperative companies and / or to the private sector, the industrial, agricultural and service companies and public properties held in its possession, in lieu of cash or kind, while retaining the ownership rights …“

The Fourth “FYP” (2005-2010)

The Fourth Five-Year Development Plan Law which took effect from March 2005, devotes its entire chapter one titled “fundamental preparation for rapid economic growth” to the orders pertaining to divestiture of the shares of state-owned enterprises.

Article 6 of the Law stipulates: “In context of the general policies of the Fourth Economic, Social and Cultural Development Plan of the Islamic Republic of Iran, including the cases mentioned in the initial part of Article 44 of the Constitution of the Islamic Republic of Iran, for the purpose of continuation of the privatization plan and strengthening the non-governmental sector in the development of Iran, the Government is permitted and authorized: to use all the possible methods including de-regulation, outsourcing of the management (like lease, general contracting and management contract) and ownership/possession (like lease subject to possession; sales of shares totally or partially, assignment of the properties), analysis of divesting, dissolution and merge of companies”.

Furthermore, the pre-requisite actions for privatization of the state-owned enterprises, stipulated in Article 7 of the same Law, are as follows:

“… the Government is permitted to take action for divesting, dissolution, integration and re-organization of the state-owned companies, amendment and approval of the companies’ Articles of Association, approval of the financial and transaction by-laws, approval of the employment and insurance by-laws, subject to compliance with the related rules and regulations and replacement and transfer of tasks, human resources, shares and assets of the governmental companies and subsidiaries …”

Meanwhile, on the basis of Paragraph “f” of Article 7 of this Law: “transaction of the shares in relation to the implementation of this Article, such as integration, dissolution and re-organization, shall be exempted from tax payment”.

In line with the provisions of Paragraph “h” of the latter Article of this Law: “the specialized (state-owned) holding companies could be divested subject to the compliance with the provisions of Article 44 of the Constitutional Law of the Islamic Republic of Iran and the partnership of private and cooperative sectors are permissible and authorized …”.

Trade Strategies in the 4th “FYP”

The main trade-related strategic objectives incorporated in, and pursued by, the 4th Development Plan of the Islamic Republic of Iran are as follows:

-to secure higher stake for Iran in the global trade transactions;

-to establish interactions between Iran’s national economic system and the global economy;

-to further promote the prevailing competition and anti-trust policies;

-to upgrade the national commercial system.

In addition to the above-mentioned four strategic objectives, the 4th Economic Development Plan strives towards:

-realization of a long-term sustainable growth for creating employment and further promotion of people’s living standards;

-elevation of Iran’s status in the world economy;

-expansion and speedier pace for Iran’s industrialization process with the ultimate goal of laying the required grounds for the foundation of a vibrant industrial structure, having ensured comparative advantages, at the global level.

-institutionalization of technological knowledge and know-how of the country;

-constant promotion of human-resources;

-Insurance of social justice in all aspects of the national economic planning of Iran.

Table 2.b.1.1 Economic indicators during the 4th “FYP”

(Percentage change)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **1384** | **1385** | **1386** | **1387** | **1388** | **Period average** |
| **GDP** (at constant 1381 prices) | 7.1 | 7.4 | 7.8 | 8.4 | 9.3 | 8.0 |
| Gross fixed capital formation | 11.3 | 11.0 | 11.7 | 12.9 | 14.1 | 12.2 |
| Aggregate consumption expenditure | 4.8 | 5.5 | 5.9 | 6.4 | 7.4 | 6.0 |
| **GDP** (per head) |  |  |  |  |  | 6.6 |
| Inflation | 14.6 | 11.5 | 9.1 | 7.9 | 6.8 | 9.9 |
| **Liquidity** (M2) | 24.0 | 22.0 | 20.0 | 18.0 | 16.2 | 20.0 |
| Non-oil exports | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 | 10.7 |
| Imports | 5.0 | 6.5 | 6.2 | 8.9 | 6.6 | 6.6 |
| **Unemployment rate** (percent) |  |  |  |  | 8.4 |  |
| Productivity of labor |  |  |  |  |  | 3.5 |
| TFP |  |  |  |  |  | 2.5 |
| **Gini coefficient** (0-1) |  |  |  |  | 0.38 |  |
| **HDI** (max.1) |  |  |  |  | 0.820 |  |
| **Below relative poverty line** (percent) |  |  |  |  | 7 |  |

Source: Central Bank of I. R. of Iran

Furthermore, in adherence to the four above-mentioned strategic objectives and the other targets specified in the 4th “FYP”, generally seven categories of policy options and practical initiatives have been introduced:

Figure 2.b.1.1 Distribution Channels Productivity Upgrading

1. Trade Facilitation

rationalizing the existing tariff system and adopting anti-dumping measures;

reducing the non-official trade transactions;

implementing Preferential Tariff Agreements;

improvement of the Trade Balance;

further expansion of trade and economic cooperation.

2. Development of foreign Trade (Non-Oil Export Promotion)

 formulation of sectoral export strategy;

 promotion of goods and services exports;

 diversification and further expansion of export markets;

 infrastructure development & upgrading service delivery.

3. Active Participation in Global and Regional Trade Arrangements

 intensification of efforts to secure Iran’s accession to WTO and minimizing its potential adverse effects;

 preparation of requisite grounds in Iran’s various economic sectors for accession to WTO;

 ensuring Iran’s active participation in the regional and international economic-trade blocs and organizations.

4. Upgrade of the Supply Chains Productivity

 adjustment of subsidies for strategic commodities;

 monitoring distribution of strategic commodities.

5. Local Market Regulation

 Local market regulation for strategic goods;

 Consumer rights protection and market surveillance.

6. E-Commerce Development

 setting up required infrastructures for e-commerce promotion;

 Introduction of new technologies to the trade sector;

 Design, development and integration of trade-related data-bases.

7. Restructuring & Developing Human Resources

 Management development;

 Re-structuring and re-engineering of trade system;

 Promotion of NGOs for the public-sector downsizing;

 Process improvement, procedures and technology development;

 Promotion of the customer-oriented approach.

General Policies of the 5th “FYP” (2010-2015)

In view of termination of the 4th Five Year Development Plan Law in 2010, an orchestrated efforts have been launched, at national level, to formulate the outline of the next “FYP”. To this effect, in addition to the regular and routine initiatives undertaken by the responsible study/working-groups as well as the other competent authorities, a set of general policies have been developed and proposed within the framework of the Expediency Assembly. These policies upon which the draft bill of the 5th Five Year Economic, Social and Cultural Development Plan is devised have, subsequently, been conveyed by the Supreme Leader of the Islamic Resolution to President Ahmadinejad.

According to the general guideline set by the Supreme Leader, these policies have been determined on the basis of two fundamental principles and approaches: i.e., progress and justice.

• Composition of the 5th “FYP” General Policies

The General Policies of the next Five Year Development Plan are arranged in five sections:

1. cultural affairs

2. scientific-technological affairs

3. social affairs

4. economic affairs

5. political, defense and security affairs

General Economic Policies

The General Economic Policies of the 5th “FYP” consists of two sub-sections:

I.Focal points of suitable economic growth

II. Appropriate measures for promotion of social justice

The policies underlined in each of the two above-mentioned sub-sections are as follows:

I. attainment of suitable economic growth, emphasizing on:

I. a realization of sustainable and momentous economic growth at the rate of, at least, 8% of annual GDP growth, through:

I. a. i promotion of investments via reduction of the saving-investment gap along with preserving the ratio of investments to GDP, at least, by 40% and attraction of foreign investments;

I.a.ii development of productivity in economic growth by the rate of one-third, at the end of 5th “FYP”;

I.a.iii improvement of business environment, underlining stabilization of the macro-economic climate, establishment of the requisite communications, information, legal, scientific and technological infrastructures, diminishing big economic risks, and regular supply of transparent statistical data and information to the society;

I.a.iv consolidation of the national standards system;

I.b changing the status of income received from the sale of oil and natural gas from a source of providing the public budget to a regenerative economic asset; formation of the National Development Fund with its Articles of Association to be ratified by the Islamic Consultative Assembly (the Parliament), at the first year of the 5th “FYP” and undertaking the necessary planning to utilize the relative advantages of oil and natural gas in the petroleum downstream industries-through:

I.b.i annual allocation of at least 20% of the revenue secured from export of oil and gas and the relevant by-products to the National Development Fund;

I.b.ii extending facilities from the National Development Fund to private, cooperative and non-state public sectors with the objective of helping promotion of production and investment, inside and outside Iran, on competitive basis;

I.b.ii ceasing dependence of the government public expenditures on the oil and gas revenue, by the end of the 5th “FYP”;

I.c reformation of the banking system through full implementation of the Interest-Free Banking Law and institutionalization of the Interest-Free Loan system, maintaining macro-credits as well as the required credits for big investments;

I.d quantitative and qualitative promotion of the financial markets (capital, monetary and insurance) underlining their efficiency, transparency and integrity;

I.e materialization of the General Policies of Article 44 of the Constitution and their related requirements, putting emphasis on:

I.e.i supporting formation of competitive markets;

I.e.ii creation of suitable bodies for discharging the sovereignty-related duties of the government, such as policy-making, directing and monitoring;

I.e.iii regulating the stimulus policies for evolving individual household activities to the activities of legal units;

I.e.iv creation of a competitive market for supply of health insurance services;

I.f taking note of the economic, security, political and ecological value of water with expediting its exploration, supply, conservation and consumption, storage of water resources running towards outside the Iranian national territory with prioritizing utilization of the common water resources;

I.g investments in excavation and exploration of joint oil, gas and other minerals with neighboring countries in compliance with the General Policies of Article 44 of the Constitution;

I.h preservation of the strategic foreign currency reserves to the point of ensuring maintenance of the country’s fundamental needs, in a given period of time, on the basis of the decision to be made by the Supreme National Security Council;

I.i underlining the Export Promotion Strategy, particularly in the high-tech service, in pursuit of the goal to ensure balance in the trade of services;

I.j comprehensive expansion of cooperation with the countries in the south-west region of Asia, in trade, investment and technology;

I.k promotion of and coordination among the development objectives in the fields of education, health and employment-with the aim of improving Iran’s human development indices as much as those of the developed countries, at the end of the 5th “FYP”;

I.l evolving Iran’s exiting budget preparation system to an operational budget preparation system;

I. ensuring quantitative and qualitative correlation between the Five Year Development Plans and the annual budgets, on one hand, and the Millennium Goals, on the other hand, embodying transparency and accountability.

II. Expansion of social justice, through

II.a arrangement of all activities related to economic growth and development on the basis of social justice and reducing gaps in incomes of various social classes and alleviation of poverty in the low-income people, emphasizing on:

II.a.i making up for unjustifiable income disparities via implementation of tax policies, supply of target-oriented subsidies and insurance mechanisms;

II.a.ii launch and constant upgrade of the data-bank concerning the citizens belonging to the two lowest deciles of income level;

II.a.iii making the overt subsidies target-oriented and gradual introduction of the same policy to the covert subsidies;

II.a.iv ensuring supply of economic data and information to all citizens;

II.b taking the necessary initiatives to make up for the shortcomings left behind from the past, with stressing on:

II.b.i ensuring higher level of income and living standards for farmers and the residents of rural areas through formulation of rural development plans, expansion of industrial agriculture, rural industries, modern services and reformation in the agricultural products pricing methods;

II.b.ii expansion of economic activities in border areas, southern coastal cities and islands, with taking advantage from Iran’s foreign trade capacities;

II.b.iii reduction in the gap between the people enjoying the two highest and two lowest deciles in income levels, with the objective of leading the Gini Co-efficient to, at most, 0.35, at the end of the 5th “FYP”;

II.b.iv adopting the necessary measures to reduce the unemployment rate to 7%;

II.b.v maintaining inclusive and efficient health insurance, and quantitative and qualitative expansion of the Social Security and the Health Insurance Services Systems;

II.b.vi development of preventive systems for individual and collective trauma;

II.b.vii supporting the deprived people, including the families headed by women;

II.b.viii development of the cooperative sector with the objective of rehabilitating the low-income and middle class people, aimed at increasing the share of the cooperative sector in Iran’s national economy to 25%, at the end of the 5th “FYP”.

b.2 Iran Privatization Organization (I.P.O)

Background

As it was mentioned earlier, in line with the provisions of Article 15 of the 3rd Economic, Social and Cultural Development Plan of the Islamic Republic of Iran and subsequent to the due changes applied to the Articles of Association of the Organization for Promotion of the Ownership of Production Units, the Privatization Organization came into existence, in the year 2000.

The Privatization Organization being a subsidiary to the Ministry of Economic Affairs and Finance, practically commenced its activities in June 2001. Following the issuance of the government’s relevant decree in the latter year, the Organization was designated as a specialized public-sector holding company to initiate the due actions for the sale of its own shares in the sub-companies.

The Secretariat of the High Commission of Divestiture, with the Managing Director of the “I.P.O” functioning as the Secretary of the “Commission”, is based in this Organization.

Objectives

Based on the due provisions stipulated in the Articles of Association of the Privatization Organization in relation to the government’s privatization policies through divesting and sale of the state-run companies’ shares to the private and cooperative sectors, the main objectives pursued by “I.P.O” are as follows:

-attainment of national economic growth;

-promotion of efficiency, effectiveness and productivity in the utilization of the available resources

-expansion of the private-sector’s engagement in economic activities;

-rationalization of the size of the public-sector bureaucracy;

-further reduction of the public-sector’s role in the executive affairs of economic activities.

Duties and Authorities

The main tasks and authorities of “I.P.O”, stipulated in Article 5 of its Articles of Association, are as follows:

i.formulating proper guidelines in order to expedite and facilitate promotion of public participation towards realization of enhanced efficiency and increased productivity of material and human resources and development of potentials of the private and cooperative sectors, and presentation of the said guidelines to the High Commission of Divestiture subject of Article 12 of the Law of the 3rd Economic, Social and Cultural Development Plan-ratified in 2000-as well as to other authorities;

ii.to make out plans for enhancing capabilities of the private-sector, and to provide incentives to specialized groups and organizations, and to educate the entrepreneurs;

iii.to act as proxy in matters of divesting shares of companies designated for divestment on the basis of the related regulations;

iv.to offer and divest shares of the salable companies according to an approved time-table;

v.to implement policies approved by the High Commission of Divestiture subject of Article 12 of the Law of the 3rd Development Plan;

vi.to render any other action, operation and services towards execution of the programme of divesting shares and management of governmental corporations and privatization within the framework of the relevant laws and regulations;

vii.supervising over prompt execution of the provisions of the contracts related to divestment management, rent, and performance of other matters entrusted to the Organization according to the contracts;

viii. performing other duties related to divestment of shares and privatization that are entrusted to the Organization within the framework of the 5-year Development Plans.

Articles of Association

Upon the joint proposal of the Ministry of Economic Affairs and Finance and the then State Management and Planning Organization and by virtue of Article 15 of the Law of the 3rd Economic, Social and Cultural Development Plan, the Council of Ministers of the Islamic Republic of Iran ratified the Articles of Association of the Privatization Organization which contain 26 articles.

Figure 2.b.2.1 Decision-Making & Implementation Process of Privatization

1- Proposal for the privatization

2- Decision of the privatization

3- Implementation of the privatization

Table 2.b.2.1 Proceeds of Iran Privatization, during 1991/92-2006/07\* (values in fix prices)

|  |  |  |
| --- | --- | --- |
| **Year** | **Proceeds**  **in fix price (Million $ US)** | **Percentage** |
| 1991/92 | 793,7 | 4,9 |
| 1992/93 | 534,5 | 3,3 |
| 1993/94 | 514,6 | 3,2 |
| 1994/95 | 1161,3 | 7,2 |
| 1995/96 | 405,4 | 2,5 |
| 1996/97 | 684,3 | 4,2 |
| 1997/98 | 99,0 | 0,6 |
| 1998/99 | 372,7 | 2,3 |
| 1999/00 | 924,9 | 5,7 |
| 2000/01 | 591,1 | 3,6 |
| 2001/02 | 65,7 | 0,4 |
| 2002/03 | 929,2 | 5,7 |
| 2003/04 | 2439,0 | 15,0 |
| 2004/05 | 1532,7 | 9,5 |
| 2005/06 | 180,8 | 1,1 |
| 2006/07 | 4977,1 | 30,7 |
| Total | 16205,8 | 100,0 |

Source: Iran Privatization Organization

b.3 General Policies of the Article 44 of the Constitution

The General Policies of the Article 44 of the Constitution of the I. R. of Iran were announced by the Supreme Leader of the Islamic Revolution on May 22,2005.

b.3.1 Objectives

In view of the provisions enshrined under Article 44 and in Article 43, General Policies of Article 44 of the Constitution of the I. R. of Iran are intended to achieve the following objectives:

-accelerated growth of the national economy;

-promotion of broad-based public ownership to achieve greater social justice;

-enhancing the efficiency of economic enterprises and productivity of human and material resources and technology;

-upgrading the competitive capability of the national economy;

-reducing financial and administrative burden on the government encumbered as a result of its controlling role in economic activities;

-increasing the general level of employment.

b.3.2 General Policies and Guiding Principles

The Guiding Principles to be observed and implemented in order to reach the above-mentioned objectives are:

A. General policies concerning development of the non-state sector and preventing the un-necessary growth of the government.

A.1 The government shall not be allowed to engage in economic activities that fall outside those envisioned in Article 44. Moreover, it is obliged to relinquish any activity, including continuation and operation of previous activities that are covered under Article 44, and cede them (at least 20 percent each annum) to the private and cooperative sectors by the end of the 4th Five-Year Development Plan. Considering that the government has the overall responsibility to ensure good governance, the continuation and initiation of essential activities by the government that fall outside of the main title of Article 44 are permitted for a definite period of time, upon the proposal of the Council of Ministers and approval of the Islamic Consultative Assembly. Industries that are affiliated to the military, police, intelligence and security services that have confidential character do not fall under this decree.

A.2 Investment and management and ownership of those sectors that fall under Article 44 by the non-state enterprises and public institutions, and the cooperative and private sectors are permissible as described below:

A.2.1 large-scale industries, mother industries (including large downstream oil and gas industries) and large mines (excluding oil and gas);

A.2.2 foreign trade activities within the framework of trade and exchange rate policies of the country;

A.2.3 banking operations by non-state public enterprises and institutions, publicly-held cooperatives and joint-stock companies, provided maximum shareholding of each shareholder is determined by law;

A.2.4 insurance;

A.2.5 power supply, generation and importation of electricity for domestic consumption and export;

A.2.6 all postal and telecommunication activities, except the main telecommunication grid, assigning of frequencies and main networks of postal exchanges, routing and management of distribution of mails and basic postal services;

A.2.7 roads and railways;

A.2.8 aviation (air transport) and shipping (marine transport).

Optimal share of state and non-state sectors in the economic activities covered under the preamble of Article 44 will be determined by law, taking into consideration the sovereignty and independence of the country, social justice and economic development and growth.

B. General Policies of the Cooperative Sector

B.1 increasing the share of the cooperative sector in the national economy to 25 percent by the end of the 5th Five-Year Development Plan;

B.2 effective measures by the government to establish cooperatives for the unemployed with a view to generating productive employment;

B.3 support by the government to set up and promote cooperatives by offering incentives such as tax concessions, providing concessional credit facilities by all financial institutions, abstaining from receiving any additional levies or other charges in excess of those paid by the private sector;

B.4 removal of all barriers and constraints that obstruct the presence of the cooperative sector in all economic arenas, including banking and insurance;

B.5 establishment of the Cooperative Development Bank funded by the government for the purpose of enhancing the share of the cooperative sector in the national economy;

B.6 support by the government to enable cooperatives to gain market access and providing this sector with full information on non-discriminatory basis;

B.7 exercise of the right of sovereignty of the government in the framework of policy-making and overseeing the enforcement of the applicable laws and avoiding interference in the administrative and management affairs of the cooperatives;

B.8 development of technical and vocational training and other supportive programmes with a view to enhancing efficiency and empowerment of the cooperatives;

B.9 flexibility and diversity in methods of raising capital, distribution of shareholding in the cooperative sector and taking necessary measures that set in motion establishment of new cooperatives in addition to the conventional ones in the form of public joint stock companies with fix limits of shareholding, the ceiling for which will be determined by law;

B.10 support by government of the cooperatives, proportionate to the number of members;

B.11 establishment of nation-wide cooperatives to cover the three lowest deciles of the population with a view to poverty alleviation.

C. General Policies on Development of Non-state Sector and Ceding of State-owned Enterprises

C.1 change in the role of government from direct ownership and management of enterprises to policy-making, guidance and overseeing;

C.2 economic empowerment of the private and cooperative sectors, and enabling them to enhance competitiveness of their products in international markets;

C.3 preparing Iranian enterprises to apply global trading rules, intelligently, and in a gradual and target-oriented manner;

C.4 development of knowledge-based human capital;

C.5 development and enhancement of national standards and endeavoring to conform the local quality assurance systems to the international standards;

C.6 since the overall orientation of privatization shall be toward improving efficiency, competitiveness and greater public ownership, upon the proposal of the Expediency Assembly, Note ‘C’ of the General Policies of Article 44 of the Constitution of the I.R. of Iran are promulgated as follows, in accordance with Paragraph 1 of Article 110:

Eighty percent of the shares of state-owned enterprises, covered under Article 44, shall be ceded to the private sector, joint stock cooperative companies and non-state publicly-held companies as follows:

C.6.1 state-owned enterprises engaged in large mining activities, large-scale and mother industries (including large downstream oil and gas industries), excluding the National Iranian Oil Company and companies involved in extraction and production of oil and gas;

C.6.2 state-owned banks, except the Central Bank of Iran, Bank Melli of Iran, Bank Sepah, Bank of Industry and Mines, Bank of Agriculture, Bank Maskan (Housing Bank), and Export Development Bank;

C.6.3 state-owned insurance companies, excluding Bimeh Markazi and Iran Insurance Company;

C.6.4 airline and shipping companies, except the Civil Aviation Organization and Ports and Shipping Organization;

C.6.5 power supply companies, except the main electricity transmission grid;

C.6.6 postal and telecommunication companies, except the main telecommunication networks, frequency assignment services and the main and basic postal services;

C.6.7 industries affiliated to the armed forces, except defense and security products and services that are deemed essential by the Commander-in-Chief.

D. Requirements of Ceding the Shares

D.1 Pricing of shares will be done through the mechanism of Stock Exchange.

D.2 Public offering of shares by good promotional campaign and encouraging people to participate and, at the same time, preventing formation of monopolies and misuse of privileged information.

D.3 To ensure proper rate of return on the shares of the companies to be ceded, all necessary reforms with respect to marketability and pricing of products and the management should be carried out on the basis of Commercial Code of Iran.

D.4 Ceding of the shares under this plan shall be done through specialized holding companies and subsidiaries, by detailed and professional analyses.

D.5 For the purpose of reforming management and enhancing the productivity of the enterprises to be ceded under this plan, with a view to making better use of the management capacities of the country, necessary measures need to be taken to recruit experienced, competent and efficient managers. The sale of up to five percent of the shares of the companies, covered under Note ‘C’ of Article 44, to the managers and employees is permissible.

D.6 Considering that note ‘C’ of the General Policies of Article 44 has been promulgated, and in light of the change in the sovereign duties and functions, the government is required to articulate and put into action its new role in policy-making, guidance and overseeing of the national economy.

D.7 Allocation of a percentage of the resources to be handed over on new fields that apply advanced technologies is allowed in line and in keeping with sovereign duties.

E. General Policies Concerning Ceding of Shares of State-Owned Enterprises

E.1 Requirements of ceding

E.1.1 Empowerment of the private and cooperative sectors to engage in extended and diverse activities and to manage large businesses.

E.1.2 After the completion of the ceding of shares, the overseeing and support by the relevant authorities will continue with a view to achieving the intended objectives.

E.1.3 Applying generally accepted and sound methods for the ceding of shares with special emphasis on the Stock Exchange mechanism, strengthening the relevant organization set up for this purpose, instituting transparent flow of information, creating equal opportunities for all to benefit from gradual offering of the shares of large enterprises in the Stock Market for the purpose of obtaining benchmark price of the shares.

E.1.4 Those involved in ceding of shares and those involved in decision-making in the government with respect to the ceding operation must not be able to profit from this activity. E.1.5 Compliance with the General Policies of Cooperatives in the ceding operation.

E.2 Appropriation of the proceeds from ceding operation

The proceeds from ceding of shares of state-owned enterprises shall be deposited in the special Treasury Account and disbursed in the framework of approved plans and budgets in the order explained below:

E.2.1 Making deprived families self-reliant and strengthening the Social Security system.

E.2.2 Allocation of thirty percent of the proceeds from the ceding operation to nation-wide cooperatives with a view to achieving poverty alleviation.

E.2.3 Creating economic infrastructures by according priority to less developed regions.

E.2.4 Granting financial facilities (administered funds) to strengthen cooperatives, to modernize and renovate non-state enterprises by giving priority to ceded companies and for the purpose of investments by the non-state sector for the less developed regions.

E.2.5 Partnership of state-owned enterprises with non-state sectors up to 49% for the economic development of the less developed regions.

E.2.6 Completion of partially-completed projects of the state-owned enterprises by taking into consideration Note “a” of the General Policies.

F. General Policies on Application of the Right of Sovereignty by the Government and Avoiding Creation of Monopolies.

F.1 Continuity in the application of the general right of sovereignty of the government after the commencement of the activities of the non-state sectors as a result of ceding operations through policy-making, enforcement of laws and regulations and overseeing, especially in respect of application of norms of Sharia and the law at non-state banks.

F.2 Preventing influence and control of aliens over national economy.

F.3 Preventing creation of monopolies, by the non-state enterprises by putting in place laws and regulations.

G. Discounted Sale of the Shares of State-owned Companies

In a letter addressed to the President by the Supreme Leader of the Islamic Republic of Iran, the former’s proposal for the allocation of a part of the shares envisaged under Article 44 of the Constitution were endorsed, on the basis of the instructions specified hereunder:

G.1 Approval of the installment sale of 50% of the shares that can be ceded under Note ‘C’ of the General Policies of Article 44 to provincial investment companies consisting of District Cooperatives.

G.2 The prices of shares shall be set by the Stock Market.

G.3 In respect of the two lowest income deciles of the population, granting 50 percent discount on the prices of ceded shares and allowing installment period of ten years are permissible.

G.4 The provincial investment companies shall be admitted to the Stock Exchange with the help of the government, and shall endeavor to improve their rate of return on investments within the rules of the Commercial Code.

G.5 The shares covered under the ceding operations shall be ceded to the provincial investment companies in proportion to the number of their employees.

G.6 Purchase and sale of the shares of the provincial investment companies at the Stock Exchange are permissible to the extent of their paid-up installments or their allowed discount.

G.7 Identification of the lowest two deciles of the society by scientific and precise methods and paying special attention to the rural population.

G.8 Implementation of this plan should not increase or perpetuate government control over the enterprises covered under the ceding plan.

Figure 2.b.3.1 Procedure of Justice Shares Divesting

CHAPTER 3

Economic Sectors

3.1 Oil & Gas

a. Overview

Iranian oil industry is a vast and highly sophisticated industry with precious resources, colossal actual capabilities as well as huge potential capacities.

Almost 6 decades have passed since the establishment of the National Iranian Oil Company (NIOC) in February 1948 aimed at exploration, development, production, marketing and sales of crude oil and natural gas. “NIOC”, possessing one of the greatest reservoirs of hydrocarbon in the world, is regarded to be one of the richest firms at the global level.

“NIOC” ’s oil and gas reserves are estimated to exceed 138.4b barrels (with a further 1b barrels reserves recently discovered in the Binaloud oil field in the Persian Gulf) and 28.17 trillion cubic meters, respectively, which provide it with a unique status in the global energy supply. In fact, “NIOC” has been invariably ranked as one of the biggest four global oil companies in recent years.

The major portion of Iran’s liquid hydrocarbon reserves are located in the southern provinces, especially the Luristan-Khuzestan basin, which contains almost 86.5 percent of total known crude oil reserves. The remainder is located offshore in the Persian Gulf.

In addition to new fields discovered in recent years (including the one mentioned earlier regarding the Binaloud oil field), deep reservoirs of crude oil have been found underneath existing oil fields as a result of using advanced exploration techniques, including three-dimensional seismic surveys.

b. Oil and Foreign Policy

Oil plays a crucial role in the process of formation and implementation of Iran’s foreign policy. Moreover, this raw material and national security of our country have constantly been interdependent with each other in Iran’s contemporary political history.

The determining impacts of oil-related issues on Iran’s development plans and objectives, require the competent decision-makers to take them into account as top and urgent priorities in each and every case affecting our national security.

Due to their unique role and effects in the production process, oil and gas are regarded to be very significant energy carriers, thus recognized, economically and politically, as wealth, asset, capital, liquidity, chance, opportunity and donator of grounds for attainment of a comprehensive and sustainable national development and growth. In practical terms, this means that oil not simply as a tradable commodity, but as a national opportunity ought to be utilized to generate the requisite grounds for the achievement of a durable happy and prosperous life for this as well as the future generations.

On the other hand, access to one of the gigantic reservoirs of hydrocarbon-based energies in the world gives our country an unparalleled geo-political and geo-strategic position in the present international order which can be properly availed to promote both Iran’s national interests as well as contribute to the regional and global peace and stability.

In the current status of international relations which, inter alia, is marked, more than any previous time in the human history, by the two characteristics of “cooperation” and “competition”, supplying the world energy would not only ensure the required resources for our country’s development but it also provides us with an efficient leverage to guarantee our national security.

Based on the aforementioned policies, Iran is seeking to diversity the target-markets for its exports of oil and natural gas by entering into new contracts with reliable partners. Avoiding hegemonic tendencies and focusing on the long-term mutual interests constitute the main pillars of Iran’s partnership with other countries in the sphere of energy. This explains the logic behind Iran’s actions during the past couple of decades to establish strategic and sustainable ties among Asian energy producers and consumers-on the basis of a policy formulated and followed up to ensure the country’s national security and interests. Giving priority to establishment and further consolidation of relationship with Asian partners such as the People’s Republic of China, Japan, Pakistan and India as the biggest present and future energy consumers, at the global scale, has been in line with the above-mentioned policy.

The on-going efforts, since 1994, to finalize the 2,775km-long Iran-Pakistan-India pipeline (also known as the Peace Pipeline), with an initial capacity of exporting as much as 750m cubic feet of natural gas per day is expected to greatly benefit India and Pakistan which do not have sufficient natural gas to meet their rapidly increasing domestic demand for energy.

Meanwhile, Iraq by pursuing the strategic objective to boost its oil output to about 6 mbp/d by 2015, from about 2.5 mbp/d currently produced, intends to make a deal with Iran to export 200,000 bp/d of its light crude oil through a pipeline connecting the port-city of Basra to the Iranian oil rich city of Abadan. The imported oil from Iraq will be used to feed part of a refinery’s need in the province of Khuzestan. In return, Iran has agreed to supply Iraq with 1.5m tons of fuel oil and 1.5m tons of diesel per day.

However, it should be stressed that the new policies adopted and executed by Iran within the domain of oil and natural gas is not restricted, geographically, to the region and this country welcomes any new partnership, irrespective of geographical considerations, which fits within the boundaries of the set criteria.

Contrary to the US lobbying efforts against the I. R. of Iran, feasibility studies are underway on the construction of a natural gas pipeline (termed as the “Persian Pipeline”) to link Iran to Greece and Italy via Iraq, Syria and the Mediterranean Sea. In defying the US unilaterally imposed embargo on the Iranian oil industry, Europe is actually looking for resources to meet its natural gas needs, as a reliable alternative to this continent’s excessive dependence on the Russian supplies.

Furthermore, besides Iran’s current cooperation with Venezuela in the development of Ayacucho oil field in the country’s Orinoco Belt, the research phase of an agreement on an $8b investment to construct an LNG plant in Venezuela was signed between the two countries in April 2009. No other investor has been chosen to be involved in the project which is planned to produce around 10m tons of LNG per year. The negotiations between the two parties on investment terms will start after the research phase is finished.

c. Production and Export of Crude Oil

Apart from temporary market fluctuations, the Iranian crude oil production and export followed an upward trend in most parts of the past decade, just before the outbreak of the current global economic recession.

Iran’s production capacity was 3.82m/b per day (mbp/d), at the end of 1998, with a further 100,000 barrels per day due to coming on stream in the following year from the Sirri ‘A’ and ‘E’ fields. Peak production was reached on April 01, 1999 at 3.84 mbp/d. However, sustainable onshore capacity was estimated at 3.3 mbp/d during the same time. Offshore the three fields: Doroud, Forouzan and Abouzar, altogether accounted for in excess of 300,000 bp/d. the National Iranian Oil Company’s (NIOC) own estimate of the production was 3.6 mbp/d at the time.

Subsequently, in the first half of 2006, a number of determining factors, such as production cut in Nigerian crude oil, continuation of the West’s speculations on Iran’s peaceful nuclear programme, and escalation of tensions in Iraq raised crude oil prices dramatically. However, this trend was reversed in the second half of the said year. Responding to the market situation, OPEC took the initiative to cut the production ceiling to deter the sliding prices. The reduction in the OPEC production quota was introduced in two phases. In the first phase, the production ceiling was cut by 1.2 mbp/d, on November 1st, 2006 and in the second phase, starting from February 1st, 2007, by another 500,000 bp/d.

In adherence to the quotas set by the OPEC, Iran’s average crude oil production reached 4.1 mbp/d a day during March 2006-March 2007.

The average crude oil export fell by 6.5 percent and was limited to 2.4 mbp/d, while the export of oil products went up by 8.6 percent to 266 thousand bp/d, during the afore-mentioned span of time. Total oil exports (including crude oil and oil products) amounted to 2.7 mbp/d, indicating a fall of 5.2 percent compared with the preceding 12-month period. The share of crude oil exports in total oil exports was 90.1 percent. The average spot price of each barrel of crude oil export grew by 10.3 percent to U.S. $ 58.58.

In the period under study, the share of Asia in Iran’s crude oil exports was 55.2 percent, of which 38.8 percentage points were related to Asia and the Far East and 16.4 percentage points to Japan. Of total crude oil exports, 38.4 percent belonged to Europe, up by 14.6 percent compared with the previous Iranian calendar year. Meanwhile, 6.1 percent of crude oil was exported to Africa.

During this period of time, the average price of major oil products remained unchanged at the previous year’s levels. Moreover, domestic consumption of oil products amounted to 1,492 thousand barrels a day. Consumption of gas oil and gasoline reached 500 and 422 thousand barrels a day, accounting for, respectively, 33.5 and 28.3 percent of total consumption of oil products.

However, in the following year (2007), world primary energy consumption, including oil, natural gas, coal, nuclear energy and hydro-electricity, grew by 2.4 percent to 11.1b tons oil equivalent. 10.4b tons oil equivalent, of the latter amount, was consumed by non-OPEC and 0.7b by OPEC Member Countries. The highest amount of consumption concerned oil, by 35.6 percent, and the lowest to nuclear energy, by 5.6 percent.

During the aforementioned period of time, Iran’s primary energy consumption amounted to 182.9m tons oil equivalent, up by about 1.8 percent. Oil and natural gas are the primary energies consumed largely by Iran, while other energies are consumed sparingly.

In the year under scrutiny, world crude oil production reached 81.5 mbp/d, displaying 0.2 percent reduction compared with the previous year (2006). Crude oil production by OPEC Member Countries, accounting for 43.2 percent of the world crude oil production, slumped by 1.0 percent to 35.2 mbp/d. On the other hand, the world crude oil consumption grew by 1.2 percent to 85.2 mbp/d.

Moreover, a host of factors, besides rising demands, such as changes in inventory levels of crude oil and gasoline in the U.S., depreciation of U.S. Dollar against other hard currencies, restrictions in refining capacities, continuation of political and military tensions in Nigeria and the Middle East and persistence of disputes over Iran’s peaceful nuclear issue were the driving forces behind the surges in the OPEC average oil prices in 2007 and 2008, which were, respectively, around $ 69.05 and $ 140.00 for each barrel of crude oil basket. The referred “basket” consists of eleven types of crude oil produced and exported by the OPEC Member Counties as follows:

Arab Light (Saudi Arabia), Basra Light (Iraq), BCF 17 (Venezuela), Bonny Light (Nigeria), Es Sider (Libya), Iran Heavy (I. R. of Iran), Kuwait Export (Kuwait), Qatar Marine (Qatar), Minas (Indonesia), Murban (UAE) and Saharan Blend (Algeria).

Figure 3.1.c.1 OPEC Members’ Quotas in 2007

Figure 3.1.c.2 Average Spot Prices of Crude Oil During 2007

The OPEC Conference held on September 11, 2007, decided to increase the volume of crude oil supplied to the market by the OPEC Member Countries (excluding Iraq and Angola) by 500 thousand b/d, effective from November 01, 2007. This decision was aimed to maintain oil market stability. Furthermore, the OPEC at its 146th Meeting in Abu Dhabi, on December 05, 2007, agreed to leave the output levels intact. The group also assigned production quotas to two of its recently acceded members, namely, Angola and Ecuador.

In pursuit to the production quotas set by the OPEC, Iran’s average crude oil production amounted to 4.1 mb/d in 2007/08. Crude oil exports increased by 2 percent to 2.5 mb/d; but, exports of oil products plummeted by 25.2 percent to 199 thousand b/d compared with the previous year. The average spot price of Iran’s crude oil export grew by 30.9 percent to about 78.04.

However, the unexpected crisis which apparently emerged, initially, in the U. S. real-estate market and subsequently (and almost immediately) left its implications on the financial sector of that country in the second half of 2008, soon prevailed throughout the world-marking their repercussions on the global economy. The resulting free-fall in the consumption markets along with increasing constraints in cash and liquidities for further investments, in the manufacturing and service markets, at the international level, ultimately have given way to a stagnated economy with no foreseeable solution at sight, in the near and medium-term.

Moreover, taking the global scope of the current economic downturn into account, a globally acceptable prescription is yet to emerge. This is mainly due to the divergent theoretical and empirical views and approaches adopted and implemented by the major players of the world economy, namely the U.S. and the E.U., regarding even the root causes of the on-going recession.

While the U. S., despite the change of administration in January 2009, essentially sticks to conventional prescriptions put forward by the liberal-oriented economists, such as helping raise the consumption power of consumers through injection of huge amounts of money into the banking system, the E. U. members (excluding Britain) find no immediate miracles in the stimulus packages offered by the U. S. The policies stressed by the latter are mainly focused on application of a higher degree of financial discipline, individual and collective commitments on the allocation of resources and a solid framework of state regulations and supervisions on economic activities.

In the final analysis, whatever may be the genuine causes of the prevailing problems, the on-going world economic recession has so far deprived the OPEC Member Countries from, at least, two-quarters of their foreign currency income compared with the first half of 2008. The economy of Iran, as the OPEC’s second largest crude oil producer (for instance) is dominated by oil and gas exports, constituting 70 percent of the government revenue and 80 percent of export earnings in 2008.

Oil prices hit a record high of U. S. $ 147 in July 2008, but later on dived into a state of flux between U. S. $ 40 and U. S. $ 60 a barrel in 2009 and, subsequently reached around U.S. $80 in the first quarter of 2010.

This situation leaves no alternative for the oil-producing countries but to adhere to a set of austerity measures, such as correcting their national consumption patterns and taking optimum advantage of the available resources to further diversify their economies. In the meantime, considering the global nature of the existing recession, adoption of a more responsible and coordinated policy between the major producers and consumers of oil is advisable to expedite the termination of this undesirable condition.

Table 3.1.c.1 World Primary Energy Consumption(1)

(million tons oil equivalent)

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2006** | | | | | | **2007** | | | | | |
|  | **Oil** | **gas** | **Coal** | **Nuclear energy** | **Hydro- electricity** | **Total** | **Oil** | **Gas** | **Coal** | **Nuclear energy** | **Hydro- electricity** | **Total** |
| **North America** | 1,130.2 | 692.7 | 605.7 | 212.0 | 153.4 | 2,794.0 | 1,134.7 | 728.9 | 613.3 | 215.6 | 146.2 | 2,838.6 |
| U.S.A | 943.8 | 559.2 | 565.7 | 187.5 | 66.1 | 2,322.3 | 943.1 | 595.7 | 573.7 | 192.1 | 56.8 | 2,361.4 |
| Canada | 99.6 | 87.3 | 30.9 | 22.0 | 80.4 | 320.2 | 102.3 | 84.6 | 30.4 | 21.1 | 83.3 | 321.7 |
| Mexico | 86.8 | 46.2 | 9.1 | 2.5 | 6.9 | 151.5 | 89.2 | 48.7 | 9.2 | 2.4 | 6.1 | 155.5 |
| **Central and South America** | 239.9 | 118.2 | 20.9 | 4.8 | 149.3 | 533.0 | 252.0 | 121.1 | 22.4 | 4.4 | 153.1 | 552.9 |
| **Europe and Central Asia** | 969.0 | 1,036.3 | 532.6 | 287.2 | 184.6 | 3.009.7 | 949.4 | 1,040.1 | 533.7 | 275.6 | 188.6 | 2,987.5 |
| Commonwealth of Independent States | 184.5 | 561.7 | 166.9 | 58.4 | 55.6 | 1,027.1 | 183.8 | 568.7 | 166.2 | 59.9 | 56.5 | 1,035.2 |
| Norway | 10.0 | 4.0 | 0.4 | 0 | 27.1 | 41.5 | 10.1 | 3.8 | 0.4 | 0 | 30.6 | 45.0 |
| England | 82.3 | 81.0 | 42.1 | 17.1 | 1.9 | 224.4 | 78.2 | 82.3 | 39.2 | 14.1 | 2.1 | 215.9 |
| Others | 692.1 | 389.6 | 323.2 | 30.1 | 100.0 | 1,716.7 | 677.2 | 385.3 | 327.8 | 201.6 | 99.4 | 1,691.4 |
| **Middle East** | 281.2 | 262.2 | 8.9 | 0 | 5.0 | 557.3 | 293.5 | 269.4 | 6.1 | 0 | 5.1 | 574.1 |
| **Africa** | 132.1 | 70.1 | 101.9 | 2.4 | 21.7 | 328.3 | 138.2 | 75.2 | 105.9 | 3.0 | 22.2 | 344.4 |
| **Asia Pacific** | 1,158.5 | 378.8 | 1,771.7 | 128.6 | 183.1 | 3,620.7 | 1,185.1 | 403.1 | 1,896.2 | 123.4 | 194.0 | 3,801.8 |
| **World total** | 3,910.9 | 2,558.3 | 3,041.7 | 634.9 | 697.2 | 10,843.0 | 3,952.8 | 2,637.7 | 3,177.5 | 622.0 | 709.2 | 11,099.3 |
| **Non-OPEC total** | 3,612.5 | 2,249.6 | 3,015.7 | 634.9 | 672.2 | 10,184.9 | 3,643.2 | 2,322.0 | 3,147.9 | 622.0 | 684.1 | 10,419.3 |
| **OECD members** | 2,270.2 | 1,274.3 | 1,169.7 | 536.3 | 301.9 | 5,552.4 | 2,249.0 | 1,316.9 | 1,184.3 | 520.6 | 295.6 | 5,566.4 |
| **OPEC(2)** | 298.4 | 308.7 | 26.0 | 0 | 25.0 | 658.1 | 309.6 | 315.7 | 29.6 | 0 | 25.1 | 680.0 |
| **Iran** | 76.7 | 97.8 | 1.1 | 0 | 4.0 | 179.6 | 77.0 | 100.7 | 1.1 | 0 | 4.1 | 182.9 |

Source: BP Statistical Bulletin, 2008

(1) Figures less than 0.1 after rounding are considered as zero.

(2) Excludes Angola, Iraq, Libya and Nigeria.

Table 3.1.c.2 World Proven Oil Reserves

(billion barrels)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Percentage change** | | **Share (percent)** | |
|  | **1980** | **1990** | **2000** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** |
| **North America** | 92.4 | 96.3 | 68.9 | 59.9 | 69.3 | -1.0 | 15.7 | 4.8 | 5.6 |
| U.S.A | 36.5 | 33.8 | 30.4 | 29.4 | 29.4 | -2.0 | 0 | 2.4 | 2.4 |
| Canada | 8.7 | 11.2 | 18.3 | 27.7 | 27.7 | 62.0 | 0 | 2.2 | 2.2 |
| Mexico | 47.2 | 51.3 | 20.2 | 12.8 | 12.2 | -7.0 | -4.7 | 1.0 | 1.0 |
| **Central and South America** | 26.7 | 71.6 | 97.9 | 111.0 | 111.2 | 7.0 | 0.2 | 9.0 | 9.0 |
| **Europe and Central Asia** | 24.5 | 80.3 | 108.5 | 144.1 | 143.7 | 0 | -0.3 | 11.6 | 11.6 |
| Commonwealth of Independent States | 82.0 | 63.3 | 87.7 | 128.0 | 128.1 | 1.0 | 0.1 | 10.3 | 10.3 |
| Norway | 3.6 | 8.3 | 11.4 | 8.5 | 8.2 | -12.0 | -3.5 | 0.7 | 0.7 |
| U.K. | 8.4 | 4.0 | 4.7 | 3.6 | 3.6 | -8.0 | 0 | 0.3 | 0.3 |
| Others | -69.6 | 4.7 | 4.7 | 4.0 | 3.8 | 0 | -5.0 | 0.3 | 0.3 |
| **Middle East** | 362.4 | 659.6 | 692.9 | 756.3 | 755.3 | 0.2 | -0.1 | 61.0 | 61.0 |
| **Africa** | 53.3 | 58.7 | 93.4 | 117.1 | 117.5 | 0.1 | 0.3 | 9.4 | 9.5 |
| **Asia Pacific** | 33.8 | 36.5 | 42.9 | 41.0 | 40.8 | 1.0 | -0.5 | 3.3 | 3.3 |
| **World total** | 667.1 | 1,001.1 | 1,104.5 | 1,239.5 | 1,237.9 | 2.0 | -0.1 | 100.0 | 100.0 |
| **Non-OPEC total** | 232.5 | 235.2 | 264.1 | 304.2 | 303.2 | 3.0 | -0.3 | 24.5 | 24.5 |
| **OECD members** | 109.2 | 115.1 | 93.3 | 89.5 | 88.3 | 9.0 | -1.3 | 7.2 | 7.1 |
| **OPEC** | 434.6 | 765.9 | 840.4 | 935.3 | 934.7 | 1.0 | -0.1 | 75.5 | 75.5 |
| **Iran** | 58.3 | 92.9 | 99.5 | 138.4 | 138.4 | 1.0 | 0 | 11.2 | 11.2 |

Source: BP Statistical Bulletin, 2008

Table 3.1.c.3 World Crude Oil Production(1)

(thousand b/d)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Percentage change** | |  | **Share (percent)** | |
|  | **1980** | **1990** | **2000** | **2006** | **2007** |  | **2006** | **2007** |  | **2006** | **2007** |
| **North America** | 14,063 | 13,856 | 13,904 | 13,732 | 13,665 |  | 0.3 | -0.5 |  | 16.8 | 16.8 |
| U.S.A | 10,170 | 8,914 | 7,733 | 6,841 | 6,879 |  | -0.8 | 0.6 |  | 8.4 | 8.4 |
| Canada | 1,764 | 1,965 | 2,721 | 3,208 | 3,309 |  | 5.5 | 3.1 |  | 3.9 | 4.1 |
| Mexico | 2,129 | 2,977 | 3,450 | 3,683 | 3,477 |  | -2.0 | -5.6 |  | 4.5 | 4.3 |
| **Central and South America** | 3,747 | 4,507 | 6,813 | 6,866 | 6,633 |  | -0.5 | -3.4 |  | 8.4 | 8.1 |
| **Europe and Central Asia** | 15,088 | 16,106 | 14,951 | 17,599 | 17,835 |  | 0.3 | 1.3 |  | 21.6 | 21.9 |
| **Commonwealth of Independent States** | 12,116 | 11,566 | 8,014 | 12,318 | 12,805 |  | 4.0 | 4.0 |  | 15.1 | 15.7 |
| Norway | 528 | 1,716 | 3,346 | 2,779 | 2,556 |  | -6.4 | -8.0 |  | 3.4 | 3.1 |
| England | 1,663 | 1,918 | 2,667 | 1,636 | 1,636 |  | -9.6 | 0 |  | 2.0 | 2.0 |
| Others | 780 | 906 | 924 | 866 | 838 |  | -6.3 | -3.2 |  | 1.1 | 1.0 |
| **Middle East** | 18,882 | 17,540 | 23,516 | 25,589 | 25,176 |  | 0.8 | -1.6 |  | 31.3 | 30.9 |
| **Africa** | 6,225 | 6,725 | 7,804 | 9,995 | 10,318 |  | 1.5 | 3.2 |  | 12.2 | 12.7 |
| **Asia Pacific** | 4,943 | 6,743 | 7,928 | 7,877 | 7,907 |  | 0 | 0.4 |  | 9.6 | 9.7 |
| **World total** | 62.948 | 65,477 | 74,916 | 81,659 | 81,533 |  | 0.5 | -0.2 |  | 100.0 | 100.0 |
| **Non-OPEC total** | 35,699 | 40,848 | 43,501 | 46,099 | 46,327 |  | 0.4 | 0.5 |  | 56.5 | 56.8 |
| **OECD members** | 17,138 | 18,845 | 21,521 | 19,458 | 19,170 |  | -2.0 | -1.5 |  | 23.8 | 23.5 |
| **OPEC** | 27,249 | 24,629 | 31,415 | 35,560 | 35,206 |  | 0.6 | -1.0 |  | 43.5 | 43.2 |
| **Iran(2)** | 1,479 | 3,270 | 3,818 | 4,388 | 4,401 |  | 0.7 | 0.3 |  | 5.4 | 5.4 |

Source: BP Statistical Bulletin, 2008

(1) Includes NGL, shale oil and oil sands.

(2) Estimations by the BP are more than those published by the I.R. of Iran Ministry of Petroleum.

Table 3.1.c.4 World Oil Consumption(1)

(thousand b/d)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Percentage change** | |  | **Share (percent)** | |
|  | **1980** | **1990** | **2000** | **2006** | **2007** |  | **2006** | **2007** |  | **2006** | **2007** |
| **North America** | 20,012 | 20,206 | 23,548 | 24,903 | 25,024 |  | -0.5 | 0.5 |  | 29.6 | 29.4 |
| U.S.A | 17,062 | 16,988 | 19,701 | 20,687 | 20,697 |  | -0.6 | 0 |  | 24.6 | 24.3 |
| Canada | 1,915 | 1,762 | 1,937 | 2,246 | 2,303 |  | 0 | 2.5 |  | 2.7 | 2.7 |
| Mexico | 1,034 | 1,456 | 1,910 | 1,970 | 2,024 |  | -0.2 | 2.7 |  | 2.3 | 2.4 |
| **Central and South America** | 3,463 | 3,773 | 4,907 | 5,225 | 5,493 |  | 1.5 | 5.1 |  | 6.2 | 6.4 |
| **Europe and Central Asia** | 24,389 | 23,540 | 19,564 | 20,477 | 20,100 |  | 1.0 | -1.8 |  | 24.3 | 23.6 |
| Commonwealth of Independent States | 8,494 | 8,582 | 3,623 | 3,923 | 3,923 |  | 4.0 | 0 |  | 4.7 | 4.6 |
| Norway | 201 | 203 | 201 | 217 | 221 |  | 2.4 | 1.8 |  | 0.3 | 0.3 |
| England | 1,672 | 1,762 | 1,697 | 1,785 | 1,696 |  | -0.9 | -5.0 |  | 2.1 | 2.0 |
| Others | 14,023 | 12,994 | 14,043 | 14,552 | 14,260 |  | 0.4 | -2.0 |  | 17.3 | 16.7 |
| **Middle East** | 2,046 | 3,484 | 4,716 | 5,949 | 6,203 |  | 3.8 | 4.3 |  | 7.1 | 7.3 |
| **Africa** | 1,374 | 1,976 | 2,458 | 2,824 | 2,955 |  | 1.8 | 4.6 |  | 3.4 | 3.5 |
| **Asia Pacific** | 10,557 | 13,876 | 21,147 | 24,851 | 25,444 |  | 2.0 | 2.4 |  | 29.5 | 29.9 |
| **Japan** | 4,936 | 5,304 | 5,577 | 5,224 | 5,051 |  | -2.5 | -3.3 |  | 6.2 | 5.9 |
| **China** | 1,694 | 2,323 | 4,772 | 7,530 | 7,855 |  | 7.8 | 4.3 |  | 8.9 | 9.2 |
| **Others** | 3,927 | 6,249 | 10,798 | 12,097 | 12,538 |  | 0.6 | 3.6 |  | 14.4 | 14.7 |
| **World total** | 61,841 | 66,855 | 76,340 | 84,230 | 85,220 |  | 1.1 | 1.2 |  | 100.0 | 100.0 |
| **Non-OPEC total** | 56,465 | 63,112 | 71,254 | 77,846 | 78,602 |  | 1.0 | 1.0 |  | 92.4 | 92.2 |
| **OECD members** | 41,050 | 41,356 | 47,672 | 49,319 | 48,934 |  | -0.4 | -0.8 |  | 58.6 | 57.4 |
| **OPEC(2)** | 2,376 | 3,743 | 5,086 | 6,384 | 6,618 |  | 1.8 | 3.7 |  | 7.6 | 7.8 |
| **Iran(3)** | 625 | 951 | 1,301 | 1,625 | 1,621 |  | 3.0 | -0.2 |  | 1.9 | 1.9 |

Source: BP Statistical Bulletin, 2008

(1) Includes domestic demand for oil, aviation and navy fuel, fuel for refineries and oil wastes.

(2) Excludes Angola, Iraq, Nigeria and Libya.

(3) Estimations by the BP are more than those published by the I.R. of Iran Ministry of Petroleum.

Table 3.1.c.5 OPEC Crude Oil Production(1)

(thousand b/d)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Percentage change** | |  | **Share (percent)** | |
|  | **1980** | **1990** | **2000** | **2006** | **2007** |  | **2006** | **2007** |  | **2006** | **2007** |
| **Middle East Members** | 18,384 | 16,205 | 21,512 | 24,003 | 23,697 |  | 1.3 | -1.3 |  | 70.3 | 70.8 |
| Saudi Arabia | 10,270 | 7,105 | 9,491 | 10,853 | 10,413 |  | -2.3 | -4.1 |  | 31.8 | 31.1 |
| Iran(2) | 1,479 | 3,270 | 3,818 | 4,388 | 4,401 |  | 0.7 | 0.3 |  | 12.9 | 13.1 |
| Iraq | 2,658 | 2,149 | 2,614 | 1,999 | 2,145 |  | 9.1 | 7.3 |  | 5.9 | 6.4 |
| Kuwait | 1,757 | 964 | 2,206 | 2,682 | 2,626 |  | 2.4 | -2.1 |  | 7.9 | 7.8 |
| U.A.E | 1,745 | 2.283 | 2,626 | 2,971 | 2,915 |  | 7.9 | -1.9 |  | 8.7 | 8.7 |
| Qatar | 476 | 434 | 757 | 1,110 | 1,197 |  | 8.0 | 7.8 |  | 3.3 | 3.6 |
| **Other Members** | 8,865 | 8,424 | 9,903 | 10,136 | 9,786 |  | -2.2 | -3.5 |  | 29.7 | 29.2 |
| Venezuela | 2,228 | 2,244 | 3,239 | 2,808 | 2,613 |  | -4.4 | -6.9 |  | 8.2 | 7.8 |
| Nigeria | 2,059 | 1,870 | 2,155 | 2,474 | 2,356 |  | -4.1 | -4.8 |  | 7.2 | 7.0 |
| Indonesia | 1,577 | 1,539 | 1,456 | 1,017 | 969 |  | -6.4 | -4.7 |  | 3.0 | 2.9 |
| Libya | 1,862 | 1,424 | 1,475 | 1,834 | 1,848 |  | 4.7 | 0.8 |  | 5.4 | 5.5 |
| Algeria | 1,139 | 1,347 | 1,578 | 2,003 | 2,000 |  | -0.5 | -0.1 |  | 5.9 | 6.0 |
| **Total(3)** | 27,249 | 24,629 | 31,415 | 34,139 | 33,483 |  | 0.2 | -1.9 |  | 100.0 | 100.0 |

Source: BP Statistical Bulletin, 2008

(1) Includes NGL, shale oil and oil sands.

(2) Estimations by the BP are more than those published by the I.R. of Iran Ministry of Petroleum.

(3) Based on the data in OPEC Monthly Oil Market Report, the NGL production in OPEC member countries was 4.1 million barrels per day in 2006 and 4.4 million barrels per day in 2007.

Table 3.1.c.6 Average Spot Prices of Crude Oil During 2007 And Q1, 2008

(dollar-barrel)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Iran** | | | **Saudi Arabia** | **U.A.E** | **OPEC basket** | **England** | **U.S.A** |
|  | **Light**  **(33.9°)** | **Heavy**  **(31°)** | **Average** | **Light (34.2°)** | **Dubai**  **(34.2°)** | **(1)** | **Brent**  **(38°)** | **WTI**  **(40°)** |
| **2007** |  |  |  |  |  |  |  |  |
| January | 53.93 | 47.91 | 50.92 | 50.86 | 53.68 | 50.73 | 53.78 | 50.13 |
| February | 53.64 | 51.87 | 52.76 | 54.29 | 55.61 | 54.56 | 57.43 | 59.21 |
| March | 57.92 | 56.39 | 57.16 | 58.08 | 58.80 | 58.59 | 62.15 | 60.63 |
| April | 63.87 | 61.41 | 62.64 | 62.83 | 63.97 | 63.55 | 67.51 | 63.85 |
| May | 64.05 | 62.72 | 63.39 | 64.15 | 64.59 | 64.48 | 67.38 | 63.46 |
| June | 67.99 | 64.77 | 66.38 | 65.92 | 65.79 | 66.89 | 71.55 | 67.44 |
| July | 73.70 | 69.65 | 71.68 | 71.05 | 69.49 | 71.89 | 77.01 | 73.98 |
| August | 69.34 | 66.60 | 67.97 | 68.76 | 67.36 | 68.71 | 70.74 | 72.37 |
| September | 74.88 | 72.63 | 73.76 | 74.28 | 73.36 | 74.18 | 76.87 | 79.69 |
| October | 79.74 | 77.30 | 78.52 | 79.31 | 77.12 | 79.32 | 82.50 | 85.87 |
| November | 89.92 | 87.17 | 88.55 | 89.02 | 86.96 | 88.84 | 92.62 | 94.91 |
| December | 89.12 | 86.31 | 87.72 | 86.29 | 85.79 | 87.05 | 91.25 | 91.69 |
| **Average of 2007** | 69.84 | 67.06 | 68.45 | 68.74 | 68.54 | 69.07 | 72.57 | 71.94 |
| **2008** |  |  |  |  |  |  |  |  |
| **January** | 89.21 | 86.36 | 87.79 | 88.75 | 87.35 | 88.35 | 92.00 | 92.87 |
| **February** | 91.76 | 88.51 | 90.14 | 91.26 | 89.40 | 90.64 | 94.98 | 95.32 |
| **March** | 99.35 | 96.68 | 98.02 | 99.23 | 76.72 | 99.03 | 103.58 | 105.41 |
| **Estimated average of** **2007/08(2)** | 79.41 | 76.68 | 78.04 | 78.40 | 75.66 | 78.58 | 82.33 | 82.24 |

Source: OPEC Annual Bulletin, 2008 and OPEC Monthly Bulletin, June 2008

(1) Includes eleven types of crude oil: Arab Light (Saudi Arabia), Basra Light (Iraq), BCF 17 (Venezuela), Bonny Light (Nigeria), Es Sider (Libya), Iran Heavy (Islamic Republic of Iran), Kuwait Export (Kuwait), Qatar Marine (Qatar), Minas (Indonesia), Murban (U.A.E) and Saharan Blend (Algeria).

(2) Average of the second, third and fourth quarters of 2007 and the first quarter of 2008.

Table 3.1.c.7 Iran Oil Export

(thousand b/d)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Percentage change** | |  | **Share (percent)** | |
|  | **2003/04** | **2004/05** | **2005/06** | **2006/07** | **2007/08** |  | **2006/07** | **2007/08** |  | **2006/07** | **2007/08** |
| Crude oil | 2,396 | 2,548 | 2,602 | 2,433 | 2,481 |  | -6.5 | 2.0 |  | 90.1 | 92.6 |
| Oil products | 282 | 261 | 245 | 266 | 199 |  | 8.6 | -25.2 |  | 9.9 | 7.4 |
| **Total** | 2,678 | 2,809 | 2,847 | 2,699 | 2,680 |  | -5.2 | -0.7 |  | 100.0 | 100.0 |

Source: I.R. of Iran Ministry of Petroleum

Table 3.1.c.8 Domestic Consumption of Oil Products

(thousand b/d)

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Percentage change** | |  | **Share (percent)** | |
|  | **2003/04** | **2004/05** | **2005/06** | **2006/07** | **2007/08** |  | **2006/07** | **2007/08** |  | **2006/07** | **2007/08** |
| Gas oil | 359 | 348 | 417 | 500 | 525 |  | 19.9 | 5.0 |  | 33.5 | 34.3 |
| Fuel oil | 145 | 178 | 218 | 242 | 297 |  | 11.0 | 22.7 |  | 16.2 | 19.4 |
| Gasoline | 276 | 335 | 373 | 422 | 362 |  | 13.1 | -14.2 |  | 28.3 | 23.6 |
| Kerosene | 154 | 174 | 169 | 142 | 146 |  | -16.0 | 2.8 |  | 9.5 | 9.5 |
| LPG | .. | 54 | 64 | 59 | 59 |  | -32.8 | 37.2 |  | 2.9 | 3.9 |
| Other products | .. | 127 | 153 | 142 | 142 |  | -6.5 | -0.7 |  | 9.6 | 9.3 |
| **Total** | .. | 1,216 | 1,394 | 1,492 | 1,531 |  | 7.0 | 2.6 |  | 100.0 | 100.0 |

Source: I.R. of Iran Ministry of Petroleum

Table 3.1.c.9 Geographical Distribution of Crude Oil Exports

(percent)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2003/04** | **2004/05** | **2005/06** | **2006/07** | **2007/08** |
| Europe | 10.5 | 25.8 | 33.5 | 38.4 | 32.4 |
| Japan | 24.9 | 20.6 | 20.0 | 16.4 | 18.6 |
| Asia and the Far East (except Japan) | 33.8 | 35.8 | 39.4 | 38.8 | 43.3 |
| Africa | 6.6 | 7.4 | 7.1 | 6.1 | 5.7 |
| Other countries(1) | 24.2 | 10.4 | 0 | 0.3 | 0 |
| **Total** | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: I.R. of Iran Ministry of Petroleum

(1) Includes Mediterranean countries.

d. Production and Export of Natural Gas

Iran has proven gas reserves of approximately 28.1 trillion cubic meters which equates to almost 20 percent of total world gas reserves and nearly 50 percent of the Middle East gas reserves.

South Pars remains the largest field of non-associated gas, with estimated reserves of 13 trillion cubic meters of natural gas and approximately 17 million barrels of condensates. North Pars is the second largest field with reserves of some 1.4 trillion cubic meters of natural gas.

Iran’s other main non-associated gas fields are Kangan, Sarakhs, Nar, Dalan, Aghar, Khangiran, Southern Gashoo, Sarkhoun, Kabir Kouh and Tang-e-Bijar.

The largest onshore sweet gas field, Tabnak, was announced early in 2000 to hold estimated reserves of 445 billion cubic meters of gas and 240 million barrels of condensates. Furthermore, the Hama field was announced, at the turn of the century, containing 133 billion cubic meters of gas and 58 million barrels of condensates. In January 2001, the Ramhormoz field was reported to have been found to have reserves estimated to be 40 billion cubic meters of gas.

However, Iran’s gas production approximated to 80 billion cubic meters per year, in early years of the current century, with about 50 percent of that amount (39.9 billion cubic meters) being marketed. The utilization rate has stabilized at between 49.3 and 49.6 percent in recent years, with just over 32 percent being re-injected.

In the meantime, while Iran’s domestic natural gas consumption amounted to some 50 billion cubic meters in 2000, it, subsequently, surged to 121.2 billion cubic meters in 2006-2007 because of the rapid expansion of natural gas systems in urban and rural areas. The latter amount of domestic natural gas consumption registered a 13.6 percent growth compared with the relevant figure in the previous year, i.e. 2005.

Table 3.1.d.1 Production of Natural Gas

(billion cubic meters)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Percentage change** | | **Share (percent)** | |
|  | **2003/04** | **2004/05** | **2005/06** | **2006/07(1)** | **2007/08** | **2006/07** | **2007/08** | **2006/07** | **2007/08** |
| Domestic consumption(2) | 86.6 | 97.7 | 106.7 | 121.2 | .. | 13.6 | θ | 84.6 | .. |
| Flared | 13.7 | 14.7 | 15.8 | 15.1 | .. | -4.4 | θ | 10.5 | .. |
| Export | 3.4 | 3.5 | 4.8 | 5.7 | .. | 18.8 | θ | 4.0 | .. |
| Regional uses and wastes | 11.7 | 9.4 | 7.4 | 5.0 | .. | -32.4 | θ | 3.5 | .. |
| **Total** | 109.6 | 119.4 | 130.6 | 143.2 | .. | 9.6 | θ | 100.0 | .. |

Source: I.R. of Iran Ministry of Petroleum

(1) Components may not sum to total because of imports.

(2) Includes residential, commercial, industrial, power plants and refineries consumption.

(3) Excludes gas injected into oil wells.

Table 3.1.d.2 OPEC Natural Gas Proven Reserves, Production and Consumption

(billion cubic meters)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2005** | | | **2006** | | | **Percentage change** | | |
|  | **Proven reserves** | **Production** | **Consumption** | **Proven reserves** | **Production** | **Consumption** | **Proven reserves** | **Production** | **Consumption** |
| **Middle East members** | 70,600 | 277.2 | 245.9 | 71,700 | 288.5 | 252.9 | 1.5 | 4.1 | 2.9 |
| Saudi Arabia | 6,800 | 71.2 | 71.2 | 7,100 | 73.7 | 73.7 | 4.4 | 3.5 | 3.5 |
| Iran | 27,600 | 100.9 | 102.4 | 28,100 | 105.0 | 105.1 | 1.8 | 4.1 | 2.6 |
| Iraq | 3,200 | .. | .. | 3,200 | .. | .. | 0.9 |  |  |
| Kuwait | 1,600 | 12.3 | 12.3 | 1,800 | 12.9 | 12.9 | 14.5 | 4.9 | 4.9 |
| U.A.E | 6,100 | 47.0 | 41.3 | 6,100 | 47.4 | 41.7 | 0 | 0.9 | 1.0 |
| Qatar | 25,400 | 45.8 | 18.7 | 25,400 | 49.5 | 19.5 | 0 | 8.1 | 4.3 |
| **Other members** | 17,845 | 224.6 | 89.6 | 17,900 | 230.1 | 92.0 | 0.3 | 2.4 | 2.7 |
| Venezuela | 4,315 | 28.9 | 28.9 | 4,300 | 28.6 | 28.7 | -0.3 | -1.0 | -0.7 |
| Nigeria | 5,230 | 22.4 | .. | 5,200 | 28.2 | .. | -0.6 | 25.9 |  |
| Indonesia | 2,500 | 73.8 | 37.5 | 2,600 | 74.0 | 39.6 | 4.0 | 0.3 | 5.6 |
| Libya | 1,300 | 11.3 | .. | 1,300 | 14.8 | .. | 0 | 31.0 | Θ |
| Algeria | 4,500 | 88.2 | 23.2 | 4,500 | 84.5 | 23.7 | 0 | -4.2 | 2.2 |
| **Total** | 88,445 | 501.8 | 335.5 | 89,600 | 518.6 | 344.9 | 1.3 | 3.3 | 2.8 |

Source: BP Statistical Bulletin, 2007

Table 3.1.d.3 World Natural Gas Proven Reserves, Production and Consumption

(billion cubic meters)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2005** | | | **2006** | | | **Percentage change** | | |
|  | **Proven reserves** | **Production** | **Consumption** | **Proven reserves** | **Production** | **Consumption** | **Proven reserves** | **Production** | **Consumption** |
| **North America** | 7,800 | 736.9 | 768.8 | 8,008 | 754.4 | 770.4 | 2.7 | 2.4 | 0.2 |
| U.S.A | 5,800 | 511.8 | 629.8 | 5,900 | 524.1 | 619.7 | 1.7 | 2.4 | -1.6 |
| Canada | 1,600 | 185.9 | 91.4 | 1,700 | 187.0 | 96.6 | 6.7 | 0.6 | 5.7 |
| Mexico | 419 | 39.2 | 47.6 | 408 | 43.4 | 54.1 | -2.6 | 10.7 | 13.7 |
| **Central and South America** | 6,800 | 137.9 | 125.8 | 6,900 | 144.5 | 130.6 | 1.5 | 4.7 | 3.8 |
| Europe and Central Asia | 64,331 | 1,060.0 | 1,125.3 | 64,100 | 1,072.9 | 1,146.3 | -0.4 | 1.2 | 1.9 |
| **Commonwealth of Independent States** | 58,100 | 760.0 | 597.1 | 58,100 | 779.3 | 621.1 | 0 | 2.5 | 4.0 |
| Norway | 3,000 | 85.0 | 4.5 | 2,900 | 87.6 | 4.4 | -3.3 | 3.1 | -2.2 |
| U.K. | 531 | 87.5 | 95.1 | 481 | 80.0 | 90.8 | -9.4 | -8.6 | -4.5 |
| Others | 2,700 | 135.4 | 428.6 | 2,600 | 127.5 | 430.0 | -1.9 | -5.8 | 0.3 |
| **Middle East** | 72,500 | 317.5 | 276.8 | 73,500 | 335.9 | 289.3 | 1.4 | 5.8 | 4.5 |
| **Africa** | 14,100 | 164.8 | 71.8 | 14,200 | 180.5 | 75.8 | 0.9 | 9.5 | 5.6 |
| **Asia Pacific** | 14,700 | 362.6 | 411.8 | 14,800 | 377.1 | 438.5 | 1.0 | 4.0 | 6.5 |
| **World total** | 180,231 | 2,779.8 | 2,780.0 | 181,508 | 2,865.3 | 2,850.8 | 0.7 | 3.1 | 2.5 |
| **Non-OPEC total** | 91,786 | 2,278.0 | 2,444.5 | 91,908 | 2,346.7 | 2,505.9 | 0.1 | 3.0 | 2.5 |
| **OECD members** | 15,930 | 1,065.9 | 1,414.0 | 15,900 | 1.078.5 | 1,419.8 | -0.2 | 1.2 | 0.4 |
| **OPEC** | 88,445 | 501.8 | 335.5(1) | 89,600 | 518.6 | 344.9(1) | 1.3 | 3.3 | 2.8 |
| **Iran** | 27,600 | 100.9 | 102.4 | 28,100 | 105.0 | 105.1 | 1.8 | 4.1 | 2.6 |

Source: BP Statistical Bulletin, 2007

(1) Excludes Iraq, Libya and Nigeria.

Birth of Gas-OPEC

In October 2008, Tehran, the capital city of the Islamic Republic of Iran, witnessed the formation of an OPEC-like global structure embodying the major natural gas producing and exporting nations of the world. On the said date, the Gas Exporting Countries’ Forum (GECF) agreed to set up a professional association of its own. Russia, Iran and Qatar announced that they intend to form a yet-unnamed group to coordinate gas policies.

The “troika” will meet quarterly to coordinate and exercise control over nearly two-thirds of the world’s gas reserves and a quarter of all gas production. It is expected that the newly formed group be joined by Turkmenistan, Kazakhstan, Uzbekistan, Ukraine and Belarus. The founding fathers of the “Gas-OPEC” as it sometimes is referred to, are Iran, Russia, Qatar, Venezuela and Algeria. Members of the Gas Exporting Countries Forum are: Algeria, Bolivia, Brunei, Egypt, Indonesia, Iran, Libya, Malaysia, Oman, Qatar, Russia, Trinidad and Tobago, the United Arab Emirates (UAE) and Venezuela. Norway is an observer.

e. Organization Structure of the Oil and Gas Industries

The Ministry of Petroleum of the Islamic Republic of Iran consists of four major companies:

1. National Iranian Oil Company (NIOC)

2. National Iranian Gas Company (NIGC)

3. National Iranian Petrochemical Company (NIPC)

4. National Iranian Oil Refining and Distribution Company (NIORDC).

Moreover, the Ministry has also a number of independent units, such as the Petroleum Industries Research Unit, the Air Transportation Company and the University of Petroleum Industries. In fact, the Ministry of Petroleum possesses the full ownership and supervision of all national Iranian oil and gas reserves, both upstream and downstream, in addition to all oil-dependent industries.

Organizational Chart of the Petroleum Ministry

The main tasks and duties of the Petroleum Ministry are as follows:

-ensuring an effective, efficient and productive management of Iran’s oil and gas reserves;

-constant promotion of requisite know-how with the objective to ensure optimum independence and self-sufficiency for the indigenous oil and gas industries;

-application of overall supervisory measures over oil, natural gas, refinery and petrochemical industries and directing the appropriate activities;

-development and formulation of the required plans concerning the major projects and allocation of needed funds for capital investments and operations;

-supervision of performances of all major affiliate companies and their subsidiaries;

-representing the Islamic Republic of Iran in professional international associations and fora as well as the global energy markets.

3.2 Mining & Manufacturing

a. Introduction to Mining Activities

Oil and gas are not the only sources of natural wealth in Iran and the country is blessed with a wide range of alternative mineral resources.

According to official sources, there are in excess of 2,700 mines and quarries throughout the country extracting over forty minerals, most of which are used locally in construction or industry, with some produced for export. However, Iran’s mineral resources are widely perceived to be in need of substantial renovation and huge amounts of investment before reaching desirable levels of efficiency and productivity.

Not long after the First International Mines and Metals Investment Forum, held in Tehran, October 1999, where the potential local and international investors were provided with the required information concerning the government’s intention to see enhanced development of the country’s mineral wealth, the former ministries of Mines and Metals and Industries were merged into a single structure, being called the Ministry of Industries and Mines

Under the terms of the 3rd and also the 4th Five Year Socio-Economic Plans of Iran, this Ministry has been entrusted with a critical role to play in further modernizing the Iranian economy through increased mineral extraction, enhanced industrial activity and higher levels of export, with the ultimate goals of creating further employment opportunities and increasing foreign exchange revenues of the country.

The Iranian government has expressed a desire to develop the country’s non-hydrocarbon raw materials to meet the demands of the country’s expanding metal manufacturing facilities, a desire which should be taken into account along with other objectives mentioned earlier with regards to increasing exports and thereby employment opportunities and foreign exchange earnings.

Meanwhile, the government wishes to prioritize mineral exploration and exploitation. Accordingly, those mining materials of the highest priority are: refractories, talc, celestine, industrial ceramic, zeolite and cobalt, with special attention being given to lead, zinc, iron, copper and decorative stones.

Exploration and mining of mineral resources in Iran by foreign enterprises are encouraged, with all investments made being protected under the terms of the Act on Attraction and Protection of Foreign Investments in Iran. This Law, inter alia, provides that subject to the permission of the Iranian government, foreign persons, companies and private firms may invest in mining in Iran, with priority being given to investment in provinces by preference over Tehran. Moreover, under the terms of the Mining Act, exploration and exploitation of minerals may only be undertaken once licenses have been issued by the Ministry of Industries and Mines.

b. Introduction to Manufacturing Activities

Iran’s key industries are petroleum and petrochemicals, textiles, cement and construction materials, steel, food processing, specially sugar refining and vegetable oil production, metal fabrication and auto manufacturing. To the mentioned list, one should add machinery and equipment, glass, aluminum, household appliances, tobacco products, wood and wood products, paper and paper products and carpet weaving, i. e., a substantial source of income for the rural areas.

According to the reports released by the Central Bank of Iran the share of the manufacturing sector in the “GNP” of Iran were 10.7% , 10.9% and around 11% in 2005/2006, 2006/2007 and 2007/2008, respectively.

The growth rates of this sector were 7.1%, 9.5% and 8.7% in the aforementioned years, on the basis of constant prices in the Iranian calendar year 1376.

On the basis of the statistical data published by the above-mentioned source, the establishment and operation permits issued for new food and beverages manufacturing units and also those regarding expansion of the existing ones in 2006/2007 generated, respectively, 279, 596 and 19, 762 new jobs, i. e. 18.8% and 15.7% share of the total employment opportunities created by other newly established or expanded industries.

It followed by the 187,803 and 25,090 employment vacancies generated by the establishment and operation permits issued for the new non-metallic mineral products manufacturing units and the expanded operational units which ensured, correspondingly, 12.7% and 19.9% shares of the total jobs produced by all the operational units as well as those under construction.

Moreover, 48,163 new manufacturing units absorbing IR 1,597,648b of investments were established in 2007/2008, displaying 12.2% growth compared with the previous year in terms of the accomplished investments in this sector. The number of permits for the operation of new manufacturing units was 8,135 with an amount of IR 129, 760b of investments during the latter period, showing, respectively, 20.3% and 68.1% growth in terms of the number of permits and the accomplished investments. However, it is worth noting that the 9,263 permits issued for the establishment and 1,525 permits released for the operation of new manufacturing units in the 1st quarter of 2008/09 reveals, correspondingly, 20.6% and 7.1% negative growth in comparison with the similar previous span of time. In addition, the growth rate for the investments made for the establishment and operation of new manufacturing units during the first quarter of the Iranian calendar year 1387 were, respectively, -18.3% and -9.4% each, correspondingly, amounting to IR 253, 379b and IR 20, 488b.

In reviewing the state of manufacturing sector in Iran, it should be noted that there is a widening base for the private-sector manufacturing enterprises and factories in thir country.

Table 3.2.b.1 Gross National Product and Income by Economic Sectors

(at current prices)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Percentage change** | | **Share (percent)** | |
|  | **2002/03** | **2003/04** | **2004/05** | **2005/06** | **2006/07** | **2005/06** | **2006/07** | **2005/06** | **2006/07** |
| **Agriculture** | 110,373 | 131,134 | 155,471 | 171,982 | 211,275 | 10.6 | 22.8 | 10.2 | 10.4 |
| **Oil** | 209,687 | 251,174 | 346,673 | 471,520 | 540,091 | 36.0 | 14.5 | 27.9 | 26.5 |
| **Manufacturing and mining** | 169,857 | 197,356 | 254,139 | 283,097 | 349,447 | 15.5 | 23.4 | 16.8 | 17.1 |
| Mining | 5,927 | 6,935 | 8,114 | 10,375 | 15,327 | 27.9 | 47.7 | 0.6 | 0.8 |
| Manufacturing | 104,443 | 123,185 | 156,076 | 181,343 | 221,487 | 16.2 | 22.1 | 10.7 | 10.9 |
| Electricity, gas and water | 13,471 | 16,621 | 20,211 | 22,160 | 24,224 | 9.6 | 9.3 | 1.3 | 1.2 |
| Construction | 46,016 | 50,616 | 60,739 | 69,220 | 88,408 | 14.0 | 27.7 | 4.1 | 4.3 |
| **Services** | 442,830 | 535,112 | 667,252 | 800,916 | 994,631 | 20.0 | 24.2 | 47.5 | 48.8 |
| Trade, restaurant and hotel | 109,825 | 131,531 | 160,862 | 188,552 | 226,542 | 17.2 | 20.1 | 11.2 | 11.1 |
| Transportation, storage and  communications | 67,072 | 84,119 | 101,195 | 121,804 | 149,777 | 20.4 | 23.0 | 7.2 | 7.3 |
| Financial and monetary institutions services | 19,051 | 29,539 | 49,419 | 66,230 | 93,212 | 34.0 | 40.7 | 3.9 | 4.6 |
| Real estate, specialized and professional services | 119,659 | 144,159 | 174,145 | 206,305 | 257,392 | 18.5 | 24.8 | 12.2 | 12.6 |
| Public services | 103,119 | 114,864 | 143,809 | 173,242 | 212,696 | 20.5 | 22.8 | 10.3 | 10.4 |
| Social, personal and household services | 24.105 | 30,900 | 37,821 | 44,782 | 55,013 | 18.4 | 22.8 | 2.7 | 2.7 |
| **Less:** |  |  |  |  |  |  |  |  |  |
| **Imputed bank service charges** | 15,712 | 19,473 | 29,716 | 39,610 | 57,012 | 33.3 | 43.9 | 2.3 | 2.8 |
| **Gross domestic product (at basic price)** | 917,035 | 1,095,303 | 1,384,819 | 1,687,905 | 2,038,432 | 21.9 | 20.8 | 100.0 | 100.0 |
| **Non-oil gross domestic product (at basic price)** | 707,348 | 844,129 | 1,038,145 | 1,216,385 | 1,498,341 | 17.2 | 23.2 |  |  |
| **Net factor income from abroad** | -15,932 | -21,772 | -24,936 | -31,483 | -32,874 |  |  |  |  |
| **Net indirect taxes** | 9,441 | 14,229 | 21,212 | 9,400 | 5,592 |  |  |  |  |
| **Gross national product=gross national income (at market price)** | 910,544 | 1,087,760 | 1,381,095 | 1,665,823 | 2,011,150 | 20.6 | 20.7 |  |  |
| **Less:** |  |  |  |  |  |  |  |  |  |
| **Depreciation cost of fixed assets** | 113,884 | 126,079 | 155,177 | 182,387 | .. | 17.5 | θ |  |  |
| **Net indirect taxes** | 9,441 | 14,229 | 21,212 | 9,400 | 5,592 |  |  |  |  |
| **National income** | 787,219 | 947,452 | 1,204,706 | 1,474,036 | .. | 22.4 | θ |  |  |

Source: Ministry of Industries and Mines

Table 3.2.b.2 Gross National Product and Income by Economic Sectors

**(at constant 1376 prices)**  (Billions Rials)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Percentage change** | |
|  | **2002/03** | **2003/04** | **2004/05** | **2005/06** | **2006/07** | **2005/06** | **2006/07** |
| **Agriculture** | 49,818 | 53,362 | 54,521 | 59,602 | 62,386 | 9.3 | 4.7 |
| **Oil** | 39,405 | 44,694 | 45,871 | 46,144 | 47,546 | 0.6 | 3.0 |
| **Manufacturing and mining** | 83,430 | 89,910 | 97,490 | 103,975 | 112,863 | 6.7 | 8.5 |
| Mining | 2,591 | 2,920 | 3,177 | 3,512 | 3,982 | 10.5 | 13.4 |
| Manufacturing | 58,256 | 64,067 | 71,755 | 76,816 | 84,130 | 7.1 | 9.5 |
| Electricity, gas and water | 3,887 | 4,222 | 4,623 | 4,919 | 5,331 | 6.4 | 8.4 |
| Construction | 18,696 | 18,701 | 17,934 | 18,728 | 19,420 | 4.4 | 3.7 |
| **Services** | 186,828 | 195,614 | 204,603 | 215,969 | 230,077 | 5.6 | 6.5 |
| Trade, restaurant and hotel | 55,524 | 59,251 | 63,132 | 67,504 | 72,497 | 6.9 | 7.4 |
| Transportation, storage and communications | 32,361 | 34,740 | 36,581 | 39,512 | 45,031 | 8.0 | 14.0 |
| Financial and monetary institutions services | 5,250 | 6,254 | 7,020 | 7,944 | 9,342 | 13.2 | 17.6 |
| Real estate, specialized and professional services | 49,927 | 51,007 | 52,119 | 54,087 | 55,600 | 3.8 | 2.8 |
| Public services | 33,552 | 33,151 | 33,848 | 34,244 | 34,261 | 1.2 | 0 |
| Social, personal and household services | 10,214 | 11,219 | 11,904 | 12,677 | 13,346 | 6.5 | 5.3 |
| **Less:** |  |  |  |  |  |  |  |
| Imputed bank service charges | 3,927 | 3,742 | 4,251 | 4,763 | 5,992 | 12.0 | 25.8 |
| **Gross domestic product (at basic price)** | 355,554 | 379,838 | 398,234 | 420,928 | 446,880 | 5.7 | 6.2 |
| **Non-oil gross domestic product (at basic price)** | 316,149 | 335,144 | 352,363 | 374,784 | 399,334 | 6.4 | 6.6 |
| **Net factor income from abroad** | -2,522 | -2,780 | -2,756 | -3,869 | -3,862 |  |  |
| **Net indirect taxes** | 3,661 | 4,934 | 6,100 | 2,280 | 1,081 |  |  |
| **Terms of trade effect** | 14,348 | 17,711 | 34,592 | 47,212 | 51,051 |  |  |
| **Gross national product=gross national income (at market price)** | 371,041 | 399,703 | 436,170 | 466,551 | 495,150 | 7.0 | 6.1 |
| **Less:** |  |  |  |  |  |  |  |
| **Depreciation cost of fixed assets** | 51,553 | 53,608 | 56,563 | 59,741 | .. | 5.6 | θ |
| **Net indirect taxes** | 3,661 | 4,934 | 6,100 | 2,280 | 1,081 |  |  |
| **National income** | 315,827 | 341,161 | 373,506 | 404,530 | .. | 8.3 | θ |

Source: Ministry of Industries and Mines

Table 3.2.b.3 Investment Based on Establishment Permits and Operation Permits Issued for New Manufacturing and Mining Units and Expansion of Existing Units

(Billions Rials)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2005/06** | | **2006/07** | | **Percentage change**  | | **Share (percent)** | |
|  | **Establishment permits** | **Operation permits** | **Establishment permits** | **Operation permits** | **Establishment permits** | **Operation permits** | **Establishment permits** | **Operation permits** |
| Food and beverages | 73,378 | 10,300 | 135,198 | 11,180 | 84.2 | 8.5 | 9.5 | 14.5 |
| Tobacco products | 2 | 0 | 375 | 0 |  |  | \* | 0 |
| Textiles | 18,081 | 3,922 | 45,949 | 3,548 | 154.1 | -9.5 | 3.2 | 4.6 |
| Wearing apparel, dressing and dyeing of fur | 1,607 | 104 | 2,626 | 122 | 63.4 | 17.5 | 0.2 | 0.2 |
| Tanning and dressing of leather, manufacture of luggage, handbags and footwear | 947 | 150 | 2,520 | 245 | 166.0 | 63.3 | 0.2 | 0.3 |
| Wood and wood products except furniture | 11,367 | 491 | 30,160 | 1,038 | 165.3 | 111.7 | 2.1 | 1.3 |
| Paper and paper products | 20,230 | 844 | 43,344 | 970 | 114.3 | 14.9 | 3.0 | 1.3 |
| Printing, publishing and reproduction of recorded media | 1,076 | 103 | 2,637 | 200 | 145.1 | 93.8 | 0.2 | 0.3 |
| Coke and refined petroleum products and nuclear fuels | 54,372 | 1,061 | 191,128 | 657 | 251.5 | -38.0 | 13.4 | 0.9 |
| Chemical products | 102,354 | 5,795 | 276,164 | 19,781 | 169.8 | 241.4 | 19.4 | 25.6 |
| Rubber and plastic products | 41,517 | 6,016 | 65,625 | 7,158 | 58.1 | 19.0 | 4.6 | 9.3 |
| Non-metallic mineral products | 110,040 | 8,470 | 140,995 | 11,219 | 28.1 | 32.5 | 9.9 | 14.5 |
| Basic metals | 373,710 | 5,879 | 305,531 | 9,713 | -18.2 | 65.2 | 21.5 | 12.6 |
| Fabricate metal products except machinery and equipment | 36,534 | 2,190 | 45,180 | 4,528 | 23.7 | 106.8 | 3.2 | 5.9 |
| Machinery and equipment unclassified elsewhere | 11,955 | 972 | 26,745 | 1,660 | 123.7 | 70.9 | 1.9 | 2.2 |
| Office and accounting machines | 3,048 | 584 | 3,831 | 253 | 25.7 | -56.6 | 0.3 | 0.3 |
| Electrical machines and electronic devices | 9,759 | 3,849 | 21,026 | 1,921 | 115.5 | -50.1 | 1.5 | 2.5 |
| Radio, television and telecommunication instruments | 1,602 | 108 | 3,326 | 158 | 107.6 | 45.7 | 0.2 | 0.2 |
| Medical and optical tools, precision instruments and clocks | 1,989 | 272 | 2,938 | 189 | 47.7 | -30.3 | 0.2 | 0.2 |
| Motor vehicles, trailer and semi-trailer | 18,046 | 3,212 | 43,568 | 1,966 | 141.4 | -38.8 | 3.1 | 2.5 |
| Other transport equipment | 3,571 | 536 | 17,207 | 342 | 381.8 | -36.2 | 1.2 | 0.4 |
| Furniture and artificial goods unclassified elsewhere | 1,639 | 148 | 4,032 | 223 | 146.0 | 50.7 | 0.3 | 0.3 |
| Recycling | 4,051 | 178 | 13,410 | 101 | 231.0 | -43.2 | 0.9 | 0.1 |
| **Total** | 900.874 | 55,181 | 1,423,515 | 77,173 | 58.0 | 39.9 | 100.0 | 100.0 |

Source: Ministry of Industries and Mines

Table 3.2.b.4 Number of Establishment Permits and Operation Permits Issued for New Manufacturing and Mining Units and Expansion of Existing Units

|  | **2005/06** | | **2006/07** | | **Percentage change**  | | **Share (percent)** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Establishment permits** | **Operation permits** | **Establishment permits** | **Operation permits** | **Establishment permits** | **Operation permits** | **Establishment permits** | **Operation permits** |
| Food and beverages | 5,750 | 825 | 9,849 | 833 | 71.3 | 1.0 | 18.1 | 12.3 |
| Tobacco products | 1 | 0 | 7 | 0 |  |  | \* | 0 |
| Textiles | 1,433 | 384 | 2,683 | 444 | 87.2 | 15.6 | 4.9 | 6.6 |
| Wearing apparel, dressing and dyeing of fur | 876 | 108 | 1,997 | 115 | 128.0 | 6.5 | 3.7 | 1.7 |
| Tanning and dressing of leather, manufacture of luggage, handbags and footwear | 240 | 65 | 506 | 60 | 110.8 | -7.7 | 0.9 | 0.9 |
| Wood and wood products except furniture | 951 | 144 | 1,780 | 223 | 87.2 | 54.9 | 3.3 | 3.3 |
| Paper and paper products | 854 | 146 | 1,655 | 168 | 93.8 | 15.1 | 3.0 | 2.5 |
| Printing, publishing and reproduction of recorded media | 149 | 32 | 204 | 28 | 36.9 | -12.5 | 0.4 | 0.4 |
| Coke and refined petroleum products and nuclear fuels | 351 | 69 | 456 | 87 | 29.9 | 26.1 | 0.8 | 1.3 |
| Chemical products | 2,250 | 522 | 3,255 | 522 | 44.7 | 0 | 6.0 | 7.7 |
| Rubber and plastic products | 4,052 | 1,169 | 6,573 | 979 | 62.2 | -16.3 | 12.1 | 14.5 |
| Non-metallic mineral products | 5,233 | 1,192 | 8,674 | 1,731 | 65.8 | 45.2 | 16.0 | 25.6 |
| Basic metals | 1,033 | 193 | 2,089 | 208 | 102.2 | 7.8 | 3.8 | 3.1 |
| Fabricate metal products except machinery and equipment | 2,690 | 353 | 4,558 | 438 | 69.4 | 24.1 | 8.4 | 6.5 |
| Machinery and equipment unclassified elsewhere | 1,956 | 316 | 3,572 | 399 | 82.6 | 26.3 | 6.6 | 5.9 |
| Office and accounting machines | 218 | 35 | 435 | 27 | 99.5 | -22.9 | 0.8 | 0.4 |
| Electrical machines and electronic devices | 751 | 127 | 1,495 | 131 | 99.1 | 3.1 | 2.8 | 1.9 |
| Radio, television and telecommunication instruments | 158 | 17 | 304 | 20 | 92.4 | 17.6 | 0.6 | 0.3 |
| Medical and optical tools, precision instruments and clocks | 231 | 40 | 372 | 34 | 61.0 | -15.0 | 0.7 | 0.5 |
| Motor vehicles, trailer and semi-trailer | 787 | 133 | 1,306 | 136 | 65.9 | 2.3 | 2.4 | 2.0 |
| Other transport equipment | 256 | 55 | 413 | 54 | 61.3 | -1.8 | 0.8 | 0.8 |
| Furniture and artificial goods unclassified elsewhere | 672 | 70 | 1,298 | 100 | 93.2 | 42.9 | 2.4 | 1.5 |
| Recycling | 313 | 30 | 807 | 27 | 157.8 | -10.0 | 1.5 | 0.4 |
| **Total** | 31,205 | 6,025 | 54,288 | 6,764 | 74.0 | 12.3 | 100.0 | 100.0 |

Source: Ministry of Industries and Mines

Table 3.2.b.5 Employment Based on Establishment Permits and Operation Permits Issued for New Manufacturing and Mining Units and Expansion of Existing Units

(person)

|  | **2005/06** | | **2006/07** | | **Percentage change**  | | **Share (percent)** | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Establishment permits** | **Operation permits** | **Establishment permits** | **Operation permits** | **Establishment permits** | **Operation permits** | **Establishment permits** | **Operation permits** |
| Food and beverages | 169.776 | 21,031 | 279,596 | 19,762 | 64.7 | -6.0 | 18.8 | 15.7 |
| Tobacco products | 16 | 0 | 502 | 0 |  |  | \* | 0 |
| Textiles | 43,470 | 8,917 | 74,649 | 10,275 | 71.7 | 15.2 | 5.0 | 8.1 |
| Wearing apparel, dressing and dyeing of fur | 17,768 | 1,822 | 30,799 | 1,477 | 73.3 | -18.9 | 2.1 | 1.2 |
| Tanning and dressing of leather, manufacture of luggage, handbags and footwear | 5,387 | 866 | 11,438 | 834 | 112.3 | -3.7 | 0.8 | 0.7 |
| Wood and wood products except furniture | 21,539 | 1,989 | 35,770 | 2,764 | 66.1 | 39.0 | 2.4 | 2.2 |
| Paper and paper products | 25,607 | 2,304 | 46,080 | 2,860 | 80.0 | 24.1 | 3.1 | 2.3 |
| Printing, publishing and reproduction of recorded media | 2,375 | 296 | 5,047 | 424 | 112.5 | 43.2 | 0.3 | 0.3 |
| Coke and refined petroleum products and nuclear fuels | 12,308 | 1,546 | 33,099 | 1,218 | 168.9 | -21.2 | 2.2 | 1.0 |
| Chemical products | 77,584 | 9,563 | 120,102 | 10,485 | 54.8 | 9.6 | 8.1 | 8.3 |
| Rubber and plastic products | 86,892 | 14,372 | 135,922 | 12,429 | 56.4 | -13.5 | 9.2 | 9.9 |
| Non-metallic mineral products | 123,278 | 18,962 | 187,803 | 25,090 | 52.3 | 32.3 | 12.7 | 19.9 |
| Basic metals | 157,459 | 6,045 | 138,791 | 7,421 | -11.9 | 22.8 | 9.4 | 5.9 |
| Fabricate metal products except machinery and equipment | 66,284 | 6,566 | 100,180 | 9,038 | 51.1 | 37.6 | 6.7 | 7.2 |
| Machinery and equipment unclassified elsewhere | 55,218 | 6,163 | 91,817 | 7,639 | 66.3 | 23.9 | 6.2 | 6.1 |
| Office and accounting machines | 5,340 | 687 | 8,458 | 540 | 58.4 | -21.4 | 0.6 | 0.4 |
| Electrical machines and electronic devices | 25,699 | 6,181 | 43,478 | 4,654 | 69.2 | -24.7 | 2.9 | 3.7 |
| Radio, television and telecommunication instruments | 4,617 | 1,947 | 8,048 | 762 | 74.3 | -60.9 | 0.5 | 0.6 |
| Medical and optical tools, precision instruments and clocks | 7,240 | 1,013 | 9,108 | 486 | 25.8 | -52.0 | 0.6 | 0.4 |
| Motor vehicles, trailer and semi-trailer | 38,802 | 7,187 | 60.046 | 4,557 | 54.7 | -36.6 | 4.0 | 3.6 |
| Other transport equipment | 12,825 | 2,552 | 19,330 | 1,804 | 50.7 | -29.3 | 1.3 | 1.4 |
| Furniture and artificial goods unclassified elsewhere | 12,264 | 924 | 22,286 | 1,300 | 81.7 | 40.7 | 1.5 | 1.0 |
| Recycling | 7,670 | 386 | 21,888 | 336 | 185.4 | -13.0 | 1.5 | 0.3 |
| **Total** | 979,418 | 121,319 | 1,484,237 | 126,155 | 51.5 | 4.0 | 100.0 | 100.0 |

Source: Ministry of Industries and Mines

Table 3.2.b.6 Manufacturing

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Production index of large manufacturing establishments(1) (1376=100)** | **Establishment of new manufacturing units** | | **Operation of new manufacturing units** | |
|  | **Number of permits** | **Investment**  **(billion rials)** | **Number of permits** | **Investment**  **(billion rials)** |
| (Figure in parentheses indicate percentage change over respective period of the previous year) | | | | | |
| 1383 (2003/04) | 246.0 | 29,638 | 763,986 | 4,926 | 49,248 |
| (11.9) | (7.6) | (86.2) | (9.9) | (70,6) |
| 1384 (2004/05) | 258.0 | 31,2055 | 900,874 | 6,025 | 55,181 |
| (4.5) | (5.3) | (17.9) | (22.3) | (12.0) |
| 1385 (2005/06) | .. | 54.288 | 1,423,515 | 6,764 | 77,173 |
| (74.0) | (58.0) | (12.3) | (39.9) |
| 1386 (2006/07)¨ | .. | 48,163 | 1,597,648 | 8,135 | 129.760 |
| (-11.3) | (12,2) | (20,3) | (68.1) |
| (Figures in parentheses indicate percentage change over respective period of the previous year) | | | | | |
| 1385 (2005/06): |  |  |  |  |  |
| Q4 | .. | 13,944 | 478,276 | 1,920 | 27,430 |
| (37.9) | (190.2) | (13.5) | (98.1) |
| 1386 (2006/07): |  |  |  |  |  |
| Q1 | .. | 11,661 | 310,031 | 1,642 | 22,608 |
| (-13.7) | (25.9) | (25.2) | (115.1) |
| Q2 | .. | 12,298 | 362,005 | 2,207 | 37,253 |
| (-9.5) | (11.3) | (29.6) | (70.8) |
| Q3 | .. | 13,332 | 600,749 | 2,170 | 35,601 |
| (0.7) | (60.7) | (18.6) | (104.4) |
| Q4 | .. | 10,872 | 324,864 | 2,116 | 34,299 |
| (-22.0) | (-32.1) | (10.2) | (25.0) |
| 1387 (2007/08): |  |  |  |  |  |
| Q1 | .. | 9,263 | 253,379 | 1,525 | 20,488 |
| (-20.6) | (-18.3) | (-7.1) | (-9.4) |

(1) Include manufacturing establishments with more than 100 employees.

Incorporating clear objectives for the improvement and further development of the national industry has been part and parcel of Iran’s five year socio-economic plans, particularly from the 2nd “FYP” onwards. These objectives and strategies often put emphasis on the restructuring of industries, efficient administration, privatization, foreign investments, mobilization of the available and potential expertise, enhanced utilization of manufacturing capacities and export promotion.

For instance, in adherence to the provisions of Article 24 of the 4th “FYP”, the government is authorized to secure the requisite grounds to attract foreign investments. This authorization has been granted to the government in line with the goal to implement the Foreign Investments Attraction and Protection Act, ratified in 2001. The main intentions behind these legal provisions are, inter alia, to help increase in the national economic growth, to develop new technologies, to further improve the industrial productivity, to generate new employment opportunities, to promote exports within the context of manufacturing, mining, agriculture, infrastructure, services and Information Technology. To this effect, the government is committed to secure the payment of contractual obligations of the Iranian state-owned enterprises for the procurement of goods and services to be purchased by the government on the basis of the decisions made by the High Council of Economy. This payment is to be financed out of the domestic funds and resources of the relevant enterprises.

In the meantime, in order to materialize the predicted foreign investment growth in the 4th “FYP”, the government is authorized to grant the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI) as much as one thousandth of the total foreign direct investment, in real terms, under Foreign Investment Attraction and Protection Act, on an annual basis. This shall be in addition to the amount allocated in the annual budget laws.

Unemployment and inflation are two major issues addressed by the 4th “FYP”, in addition to the ultimate goal of terminating the state monopoly in certain areas of economy and reduction of the public-sector’s stake in banking and a number of industries. The 4th “FYP” also targets making the public administration smaller, more efficient and accountable, widespread privatization, mergers and liquidations of state-run companies. It, furthermore, assigns high priority to increasing the GDP share of the non-oil sector of the economy and to sustainable development of protected industries, thereby generating more jobs and higher income and living standards for the people. The final effect will, hopefully, be to reduce the national economy’s dependency on oil revenues while increasing the GDP share produced by the manufacturing industry in the non-oil sector.

A sizable private enterprise manufacturing units are state-of-the-art, extremely well run and up to internationally accepted standards in every way.

Moreover, measured by any acceptable scale, the capacities and capabilities of the workers are impressive. However, should Iran succeed in upgrading its technology and improving its connections with foreign partners, then it will, undoubtedly, turn to be the major manufacturing hub in the Middle and Near East regions.

c. Manufacturing and Mining Sectors’ Performance in 2007/08

Results of the surveys carried out by the competent authorities indicate the fact that the mining and manufacturing sectors achieved a relatively encouraging growth of 8.7 percent in 2007/08. The value added for mining and manufacturing sectors were estimated at 17.7 and 8.3 percent, correspondingly. The latter percentages should be taken into consideration against the 11 percent growth rate targeted by the 4th “FYP” Law for the two aforementioned economic sectors.

The stipulated growth rates in mining and manufacturing sectors were materialized, inter alia, by the surge in production of petrochemicals by 32.7 percent, and growth in production of construction materials and also mineral products, such as copper ore and iron ore, by 22.7 and 18.5 percent, respectively.

In 2007/08 production of plate glass grew by 20.4 percent, washing machines 20.0 percent, cold coil 31.4 percent, refrigerators and freezers 20.8 percent, cement 13.5 percent, steel products 9.7 percent, porcelain tiles 7.4 percent, crude steel 3.1 percent and passenger cars 2.7 percent compared with 2006/07.

Attainment of self-sufficiency in the production of cement which exceeded the needed volume for domestic consumption, hence enabling Iran to export the surplus amount of production was among Iran’s prominent achievements in the field of manufacturing. Furthermore, activation of the previous accords with a number of countries, such as Syria and Venezuela, to manufacture the Iranian cars in those countries and setting the requisite grounds for similar contracts with other foreign partners were also among other gains registered in the context of car industry.

c1. Investments

On the basis of reports released by the Ministry of Industries and Mines, the required investments and job opportunities, based on operation permits, rose by 68.1 and 14.6 percent, respectively, during the span of time under scrutiny. The per capita investment, based on operation permits, was IR 1.8m. In geographical terms, the highest per capita investment concerned the Province of Markazi (with Arak as its provincial seat) by IR 14.7m and the lowest related to the Province of Sistan and Baluchestan (with Zahedan as its provincial seat) by IR 0.14m. The available statistical data suggest that the ratio of the highest to the lowest per capita investment, during the period under consideration, was 105.3 times, implying a wide gap of industrial investment in various Iranian provinces.

c2. Financial Facilities

In this year, the outstanding facilities extended by banks and credit institutions to the mining and manufacturing sectors grew by 22.8 percent to IR 383.1 trillion, compared with the end of 2006/07.

Furthermore, the outstanding facilities extended to the public mining and manufacturing sectors went down by 49.1 percent and facilities extended to the non-public mining and manufacturing sectors rose by 27.4 percent. It is obvious that the mentioned fluctuations imply the preference given by the financial system to the private sector over the public-sector’s involvement in economic activities.

According to the statistical data put out by the Treasury General, government development expenditures in the form of credits for the acquisition of non-financial assets in the mining and manufacturing sectors and industrial research project amounted to IR 2,546b in 2007/08, displaying a decline of 6.2 percent compared with the previous year. These expenditures slided by 19.7 percent to IR 615.7b, at constant 1997/98 prices. In fact, out of the approved amount of IR 3,207b for acquisition of non-financial assets, just 79.4 percent was realized.

In line with the reports issued by the Ministry of Industries and Mines, 198 projects with a total value of $ 3.8b secured the financial support of the Oil Stabilization Fund (OSF). Chemical and cellulose products claiming a total amount of $ 2.2b, i. e. 58.8 percent share in the approved financial facilities, scored the first rank among major mining and manufacturing groups enjoying such kind of support on behalf of the public funds.

c3. Issued Permits

Based on the available statistical reports, the Ministry of Industries and Mines issued 8,135 operation permits for new manufacturing establishments and expansion of existing units in 2007/08. The above-said figure confirms 20.3 percent rise in the number of such permits compared with the previous Iranian calendar year.

Moreover, the Ministry of Industries and Mines issued 48,200 establishment permits for setting up of new manufacturing units and expansion of the existing ones. The said figure shows 11.3 percent decline in comparison with 2006/07. The fact that the applicants were required to produce a feasibility report on their potential manufacturing units, in some provinces, was among the main causes for reduction in the number of establishment permits issued by the aforementioned Ministry in 2007/08.

The amount of investments needed for the establishment of the said units and the employment opportunities generated, contingent upon their operationalization, went up by 12.2 and 1.3 percent, respectively, in comparison with the relevant figures in 2006/07.

Figure 3.2.c3.1 Investment and Employment Growth Rates Based on Operation Permits Issued for Manufacturing Establishments

c4. Price Index

At the end of 2007/08 period, the Industrial Index, i. e. the share price index of manufacturing companies, increased by 2.8 percent, compared with end 2006/07.

Furthermore, the Tehran Stock Exchange Dividend and Price Index (TEDPIX) advanced by 17.6 percent. Meanwhile, 6.4m tons of metal products, valued at IR 58 trillion, were traded in the Commodities Exchange. Steel products accounted for 72.8 and 94.8 percent of the value and weight of metal products traded in the Commodities Exchange.

c5. Exports

In the period under consideration, the industrial exports reached 21.9m tons, in terms of weight, and $ 11.6b in terms of value, displaying 13 and 20.1 percent growth, respectively, compared with the previous year.

Moreover, the share of industrial exports in total non-oil exports reached 68.1 and 75.8 percent, in terms of weight and value, correspondingly.

3.3 Agriculture, Agro-Industry, Forestry & Fishing

a. Overview

Iran is blessed with over 18.7m hectares of farmland and agriculture provides almost 25 percent of total employment, slightly over 10 percent of Gross Domestic Product (GDP) and over 80 percent of the country’s food supply. Furthermore, the overwhelming portion of the agriculture sector is under private ownership.

Iran’s agriculture is occasionally at risk because of the drought experienced throughout the country. In early 2000, a UN fact-finding mission reported that at the time two years of consecutive drought had affected 18 provinces, which represented well over 50 percent of the population.

However, despite the drought conditions, the scale of success of Iran’s agriculture is impressive by any standards, though potential continues to exist for further enhancement of agricultural activities, including up-to-date irrigation techniques and equipment, in addition to improved water distribution and water management technology and expertise.

Table 3.3.a.1 Share of Agriculture Sector in Gross National Product (at current prices)

(Billions Rials)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | Percentage change | | Share (percent) | |
| 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2006/07 | 2007/08 | 2006/07 | 2007/08 |
| 131,134 | 155,471 | 171,982 | 211,275 | 268,002 | 22.8 | 26.9 | 10.4 | 10.2 |

Source: Central Bank of Iran

Table 3.3.a.2 Share of Agriculture Sector in Gross National Product (at constant 1997/98 prices)

(Billions Rials)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | Percentage change | |
| 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2006/07 | 2007/08 |
| 53,362 | 54,521 | 59,602 | 62,386 | 66,235 | 4,7 | 6.2 |

Source: Central Bank of Iran

Iran enjoys 12 types of climate, enabling the country to produce a wide range of temperate and sub-tropical crops. Equally important, there is a temperature difference between 40 and 50 degrees at any one time between and amongst various areas and regions within the country. Such a situation enables Iran to produce a variety of crops throughout the year, including wheat, barley, rice, maize, dates, citrus, figs, pomegranates, melons, grapes, vegetables, cotton, sugar beet and cane, nuts, olives, spices, tea, tobacco and medicinal herbs. Livestock is also kept, predominantly sheep but also goats, cattle, camels and poultry.

In general, Iranian agricultural products, particularly fruit and vegetable produce, are of high quality and Iranian farmers are not only very conscious of the negative effects of over-use of pesticides and chemical fertilizers but are also extremely interested in producing organic foodstuffs.

Table 3.3.a.3 Estimated Production and Area under Cultivation of Major Crops

(Thousands hectares-thousand tons)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2006/07** | | **2007/08** | | **Percentage change**  | |
|  | **Area** | **Production** | **Area** | **Production** | **Area** | **Production** |
| Wheat | 6,879 | 14,664 | .. | 15,886 |  | 8.3 |
| Barley | 1,568 | 2,956 | .. | 3,104 |  | 5.0 |
| Rice (paddy) | 631 | 2,612 | .. | 3,343 |  | 28.0 |
| Corn | 292 | 2,166 | .. | 2,619 |  | 20.9 |
| Cotton | 117 | 284 | .. | 270 |  | -4.8 |
| Sugar beet | 186 | 6,709 | .. | 4,200 |  | -37.4 |
| Sugar cane | 67 | 4,959 | .. | 5,312 |  | 7.1 |
| Green leaflet tea | 32 | 155 | .. | 166 |  | 6.8 |
| Oil seeds | 331 | 615 | .. | 744 |  | 21.0 |
| Tobacco | 12 | 16 | .. | .. | θ | Θ |
| Pulses | 941 | 678 | .. | 697 |  | 2.8 |
| Potatoes | 164 | 4,219 | .. | 4,370 |  | 3.6 |
| Onions | 59 | 2,038 | .. | 2,150 |  | 5.5 |
| Pistachio | 444 | 250 | .. | 315 |  | 26.2 |

Source: Ministry of Agriculture Jihad

: Calculation of percentage change is not possible

..: figures not available

Table 3.3.a.4 Yield of Major Farming Crops and Horticultural Products

(kilogram per hectare)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2006/07** | **2007/08** | **Percentage change** |
| Wheat | 2,132 | .. |  |
| Barley | 1,886 | .. |  |
| Rice (paddy) | 4,142 | .. |  |
| Corn | 7,423 | .. |  |
| Cotton | 2,433 | .. | θ |
| Sugar beet | 36,090 | .. |  |
| Sugar cane | 74,465 | .. |  |
| Green leaflet tea | 4,844 | .. |  |
| Oil seeds | 1,856 | .. |  |
| Tobacco | 1,303 | .. | θ |
| Pulses | 721 | .. |  |
| Potatoes | 25,754 | .. |  |
| Onions | 34,432 | .. |  |
| Pistachio | 563 | .. |  |

Source: Ministry of Agriculture Jihad

Figure 3.3.a.1 Estimated Production of Major Farming Crops

Million tons

Table 3.3.a.5 Livestock Products

(Thousands tons)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Percentage change**  | |
|  | **2003/04** | **2004/05** | **2005/06** | **2006/07** | **2007/08** | **2006/07** | **2007/08** |
| Red meat | 752 | 785 | 800 | 829 | 866 | 3.6 | 4.5 |
| Milk | 6,316 | 6,720 | 7,179 | 7,741 | 8,312 | 7.8 | 7.4 |
| Poultry | 1,104 | 1,152 | 1,237 | 1,360 | 1,468 | 10.0 | 7.9 |
| Eggs | 629 | 655 | 758 | 677 | 703 | -10.7 | 3.8 |

Source: Ministry of Agriculture Jihad

b. Agricultural Development Programs

b1. Rural Cooperative Development Program

The Rural Cooperative Development Program being perhaps one of the most ambitious and also highly successful program implemented within the context of Iran’s agricultural development program constitutes, in fact, the merger of small-scale farmlands and farm equipment aimed at securing higher efficiency in utilization of modern technology and reduction of production costs. Each cooperative covered by this program has 250 members and consists of 2,500 hectares of farmland. The goal of the government was, primarily, to develop 700 cooperatives covering a total farmland area of 2m hectares by April 2000, but the target was later on elevated to 1,000 cooperatives covering 4.5m hectares, or around 25 percent of the country’s cultivated land. In addition to increasing farming efficiency, the implementation of this nationwide programme, on such a grand scale, enables greater purchasing power for the acquisition of modern technology and equipment.

b2. Wheat Programme

The pivotal Wheat Program is supplementary to the development of cooperatives and aimed at enhancing the automation of farming activities, improving parent seed supply and, generally, increasing wheat production throughout the country.

This program has been evaluated by the relevant experts as tremendously successful as a result of which Iran was initially able to increase its wheat production by a rate of 98 percent, from 6m tones in 1988 to 11.9m tones in 1997. Subsequently, despite the adverse impacts of a number of consecutive years of drought on this program, and temporary increase in the importation of this major crop, Iran ultimately managed to increase the total amount of its annual wheat production to as much as 16m tones in 2007/08.

b3. Sugar Development Program

The Sugar and By-Products Development Program was introduced in 1991 and has had an enormous impact on Iranian agriculture.

Sugar plantation of both cane and beet are immense by any standards. According to the report issued by the Ministry of Agriculture Jihad the total annual production of sugar cane and sugar beet were 2.4 and 5.3m tones, respectively, in 2007/08. The most significant development has been in the region of Ahwaz, Khuzestan Province (southwest of Iran), where seven sugar refinery plants, each with a capacity of 100,000 tones supplemented with seven animal feed mills, have been operational. Furthermore, there are five paper plants to convert the pulp from the sugar cane, each with a capacity of 70,000 tones. Implementation of plans for a 100,000 ton medium density fiber board manufacturing plant and two more plants to produce industrial alcohol and yeast, correspondingly, are among the other major developments, within the framework of this national program.

b4. Olive Plantation & Development Program

This program is actually a joint venture with the United Nations Food and Agriculture Organization (FAO). To convert marginal croplands to olive orchards and revive some of the degraded forests are the main objectives behind the implementation of the Olive Plantation and Development Program, which was commenced in 1993.

Subsequently, olive plantations rose from 4,500 hectares in 1992 to 42,000 hectares at the turn of the century.

c. Food-Processing Industry

The food-processing industry, in its modern sense, is relatively new to Iran and steps are being taken, both by the public and private sectors to promote this aspect of industrial growth.

Granting of low-interest loans are among the measures adopted and executed by the government to help constant development of this industry. There remains considerable room for further expansion in the food-processing industry, despite the elaborate measures taken so far. However, making the necessary investments in the field of upgrading the used technologies and equipment is among the top priorities deserving the competent decision-makers’ urgent attention in this regard.

New investments in food-processing had mainly been focused on such areas as date packing and production of fruit juice concentrates, in addition to the manufacturing of potato crisps. Many of these plants produce up to internationally accepted standards.

Meanwhile, opportunities continue to exist in almost all aspects of food processing, particularly, in the fields of automation, packaging, food engineering, prevention of post-harvest losses and environmental issues.

Table 3.3.c.1 Facilities Extended from OSF to Agricultural Sector

(million dollars)

|  |  |
| --- | --- |
| 1383 (2004/05) | 4.0 |
| 1384 (2005/06) | 7.1 |
| 1385 (2006/07) | 0 |
| 1386 (2007/08) | 4.8 |
| 1386 (2007/08) |  |
| Q2 | 1.0 |
| Q3 | 0 |
| Q4 | 1.7 |
| 1387 (2008/09) |  |
| Q1 | 0 |
| Q2 | 4.3 |
| Q3 | 0 |

Source: Foreign Debt Department, CBI

However, it should be noted that the majority of Iran’s food exports are shipped in bulk which, consequently, transfers the added value to the importer after packaging. It is hoped that after implementation of the current projects aimed at changing the existing conditions of the country’s transport networks more in favor of exports such a constraint on the way of export promotion of Iran’s agricultural products, including food stuff, will be removed.

The main objectives sought by the Iranian government in its attempts to modernize the agro-based industries are:

-to increase the efficiency and competitiveness of the sector;

-to build the required infrastructures to support modernization of the production and marketing techniques of agro-based products;

-to ensure food safety and quality assurance systems in order to increase competitiveness in foreign markets;

-to overcome problems associated with product quality and processing efficiencies, particularly with vegetables and fruit products.

d. Investment in Agriculture Sector

Iran highly encourages and welcomes foreign investments in agriculture and agro-industries, within the framework of the various legal acts and schemes at hand. To this effect, foreign investors enjoy all the rights granted by law to the indigenous companies and are permitted to return annual net profits on their investments to their home countries.

The comparative advantages attached to foreign investments in agriculture, in Iran, include:

-cheap energy;

-cheap professional work-force;

-exemption of taxes;

-grace period from taxes for food manufacturing industries for between 6 and 8 years, which can be doubled for plants set up in deprived regions of the country;

-exemption from customs duties on imported agricultural machinery;

-exemption of imported food and packaging instruments from customs duties.

e. Forestry

Forests cover vast areas of Iran, with the largest and most valuable areas being around the Caspian Sea rim on the northern slopes of the Elburz mountains. These forests include both hard and soft woods and are utilized commercially, but under strict government guidelines, inter alia, reforestation. Forest products include lumber for furniture and construction, plywood and fiber board.

f. Fishing

Iran has direct access to both the Persian Gulf and the Caspian Sea, as well as to inland waterways, but the indications suggest that the fishing industry remains to be fully developed.

Fishing in the Caspian has historically been focused on the production of caviar of which around 80 tones are exported. However, pollution is a major problem in the Caspian.

Fishing in the Persian Gulf is basically, but not exclusively, intended for shrimp and prawn for sale on world markets. However, despite substantial investments made during the past 3 decades, growth has been limited. One major reason for this rather unsatisfactory situation has been the pollution caused by the 1st Persian Gulf War which took place in 1991.

Among a number of important projects being implemented in recent years to upgrade the infrastructure of the fishing industry in the south of Iran one should mention the development of more than 14 fishing ports along the coasts of the Persian Gulf and the Gulf of Oman; the purchase and/or charter of fishing vessels, and construction of fish canning plants at three of the newly established ports and in the Free Trade Zone on Qeshem Island.

g. Analytical Performance of the Agriculture Sector

The tentative estimations of the available data concerning the performance of this economic sector suggest that its value-added registered a growth rate of 6.2 percent in 2007/08, revealing a rise when compared with the 4.7 percent growth of the previous year. The year under investigation scored remarkable growth in the production of farming, horticultural and live stock products.

This positive development should be interpreted in terms of increased and well-distributed rainfall as well as rise in banking facilities and the public sector budget resources allocated to this sector.

On the basis of the statistical data put out by Iran Water Resources Management Company, Ministry of Energy, the total precipitation level amounted to 458.3 billion cubic meters (278.1 millimeters) in 2007/08, displaying 12 percent growth compared with the long-term average and 30 percent increase, in comparison with 2006/07.

In accordance with the data released by the Ministry of Agriculture Jihad, total farming and horticultural product was estimated at 90m tons for the farming year of 2007/08, indicating 3.6 percent growth compared with the previous year. Out of the aforementioned total figure, 73.5m tons were farming and 16.5m tons horticultural product, which displayed 3.1 and 6.1 percent, respectively, growth compared with the previous year. In this year, the total livestock products, excluding honey, were 11,349 thousand tons, showing an increase of 7 percent compared with 2006/07.

Moreover, production of major crops, including wheat, barley and rice registered growth rates of 8.3, 5 and 28 percent, respectively, in comparison with the relevant figures in the previous year. The mentioned growth rates resulted in a rise in the total production of cereals by 11.4 percent to 25m tons. On the other hand, implementation of the so-called “wheat self-sufficiency plan” and the support policy for the guaranteed purchase of wheat contributed to the increasing growth of wheat production over the past couple of years. It should be noted that the guaranteed purchase price of various farming crops by the government increased up to 50 percent in the year under consideration.

Table 3.3.g.1 Guaranteed Purchase Price of Agricultural Crops

(rials per kilogram)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Farming year** | | **Percentage change** |
|  | **2005/06-2006/07** | **2006/07-2007/08** |
| Wheat | 2,050 | 2.050 | 0 |
| Barley | 1,520 | 1,520 | 0 |
| Rice (Khazar, Fajr and Sahel varieties) | 6,800 | 6,800 | 0 |
| Rice (Sepidrood variety) | 5,800 | 5,800 | 0 |
| Rice (Nemat and Neda varieties) | 5,600 | 5,600 | 0 |
| Rice (Amol, Cheram and Yasooj varieties) | 4,900 | 4,900 | 0 |
| Corn | 1,620 | 1,620 | 0 |
| Sugar beet | 460 | 460 | 0 |
| Sunflower (seed) | 3,400 | 3,400 | 0 |
| Soya | 3,200 | 3,200 | 0 |
| Green leaflet tea(1) | 3,250 | 3,400 | 4.6 |
| Lentil | 3,800 | 5,000 | 31.6 |
| Kidney bean | 3,000 | 4,500 | 50.0 |
| Navy bean | 3,500 | .. |  |
| Pinto bean | 3,500 | 4,500 | 28.6 |
| Peas | 3,600 | 5,000 | 38.9 |
| Potatoes (fall harvest) | 800 | 830 | 3.8 |
| Cotton (raw) | 4,500 | 5,000 | 11.1 |
| Colza | 3,700 | 3,700 | 0 |
| Onions (fall harvest) | 610 | 610 | 0 |

Source: Cabinet Approvals dated 19.03.2006 and 13.03.2007

(1) The price mentioned is for the first grade green leaflet tea.

The total outstanding facilities extended by banks and credit institutions to the agriculture sector amounted to IR 208.6 trillion, at the end of the year under review.

This accomplished fact implies 36.2 percent growth in comparison with the total facilities granted by the Iranian financial institutions to this economic sector in the preceding year.

Figure 3.3.g.1 Outstanding Facilities Extended to Non-public Agriculture Sector

Of the above-mentioned total amount, 48 percent were extended by Bank Keshavarzi (Agriculture Bank) and 51.9 percent by the commercial banks.

The share of the agriculture sector in total outstanding facilities (net) extended by the country’s banking system was 14.1 percent.

At the end of 2007/08, total amount of facilities extended by Bank Keshavarzi (Agriculture Bank) was IR 55,413.5 billion, showing an increase of 4.7 percent compared with the preceding year.

Of total credits granted by the latter bank, 80.3 percent were from non-statutory resources and the remainder from the budget law notes, administered funds and contracts, revealing 9.4 percent increase and 10.9 percent decrease, respectively, compared with the relevant figures in the previous year.

On the basis of the statistical reports put out by the Treasury General, acquisition of non-fiscal assets for development of “agriculture and natural resources” and “provision of water resources and establishments” amounted to IR 7,600.8 billion, displaying a decline of 35.2 percent compared with the preceding year.

In the meantime, the Insurance Fund for Agricultural Products insured 1,725 thousand persons active in “farming and horticulture”, “livestock and poultry” “aquaculture”, “silkworm raising” and “natural resources” sub-sectors, displaying 3.4 percent decrease compared with 2006/07.

Furthermore, 273 thousand tons of agricultural goods, with a total value of IR 772.6 billion, were traded on the Agricultural Stock Exchange (ASE), during 2007/08.

The traded agricultural goods on the “ASE” included corn, barley, soybean meal, sugar, rice, pistachio, raisin, sugar beet residue, feed wheat and wheat bran.

3.4 Power Generation

a. Overview

In Iran, the Ministry of Energy is in charge of power generation and distribution, water supply and formulation of energy policies. The subsidiaries of the Ministry of Energy are as follows:

-National Power Generation and Distribution Company (Tavanir), which is responsible for power generation and transmission throughout the country;

-Iran Power Development Company (IPDC), which has been entrusted with part of Tavanir’s responsibilities and is in charge of implementation of new power generation and transmission projects. “IPDC” is also responsible for the completion of ongoing projects and conversion of existing gas turbine plants to combined cycle;

-Iranian Electrical Power Manufacturing Company (SATKAB) is an organization in charge of procurement affairs, mainly, for purchasing machinery, equipment and commodities such as switchgear, power cables, diesel generators and vehicles for the regional electricity companies;

-Regional electricity boards;

Furthermore, the Ministry of Energy is also responsible for a number of water-related companies and boards.

b. Energy Policies

In line with the provisions of the Fourth Five-Year Development Plan the Iranian government intends to create good conditions for energy consumption through consumption control and a high Gross Domestic Product (GDP) growth rate, by which it is aimed to reduce energy intensity in Iran.

The growth rate of energy consumption over the decade leading to the end of 1998 was 4.1 percent per year, which would equal 22.1m barrels of oil. In just seven years to 1998, the rate increased to 9.6 percent per year. The total energy consumption was, subsequently, estimated at 643m barrels of oil equivalent in 1998. However, according to one of the latest statistical reports released by the Ministry of Energy, the due rates concerning the consumption of electricity in 2006/07 and 2007/08 reached, respectively, 9.5 and 5.8 percent, per annum.

Table 3.4.b.1 Consumption of Electricity(1)

(Million kWh)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Percentage change** | | **Share (percent)** | |
|  | **2003/04** | **2004/05** | **2005/06** | **2006/07** | **2007/08** | **2006/07** | **2007/08** | **200/07** | **2007/08** |
| Residential | 37,429 | 41,196 | 45,330 | 49,911 | 52,344 | 10.1 | 4.9 | 34.0 | 33.6 |
| Industrial | 36,735 | 40,681 | 42,583 | 45,549 | 49,517 | 7.0 | 8.7 | 31.0 | 31.8 |
| Public | 13,562 | 14,575 | 16,263 | 18,412 | 19,467 | 13.2 | 5.7 | 12.5 | 12.5 |
| Commercial | 7,466 | 7,846 | 8,706 | 9,403 | 10,261 | 8.0 | 9.1 | 6.4 | 6.6 |
| Agricultural | 15,574 | 17,195 | 17,060 | 19,471 | 19,240 | 14.1 | -1.2 | 13.2 | 12.4 |
| Street lighting | 4,893 | 4,035 | 4,296 | 4,255 | 4,769 | -1.0 | 12.1 | 2.9 | 3.1 |
| **Total** | **115,659** | **125,528** | **134,238** | **147,001** | **155,598** | **9.5** | **5.8** | **100.0** | **100.0** |

Source: Ministry of Energy

(1) Sale of electricity to customers

Iran’s current energy policies may be summed up as follows:

-to put emphasis on Build-Operate-Transfer (BOT) terms in power generation and electricity industry;

-substitution of natural gas for oil products in all sectors, including the power industry;

-creation of social equity, such as developing small hydro power plants and rural electrification;

-use of renewable energies, such as solar, wind or geothermal, in the Iranian energy basket, including generation of power;

-reformation of consumption patterns, through appropriate means and ways, including gradual elimination of subsidies;

-improvement of productivity and efficiency in industries through application of energy-saving technologies

-gradual privatization of the power industry via participation of the private-sector enterprises;

-allotment of the public-sector shares to private contractors and consultants in the energy sector;

-enhancement of energy research, aiming to reduce gross expenditures;

-financial support of private enterprises, organizations, academic circles and competent research institutes;

-utilization of nuclear energy, in addition to gas and renewable energies, for the generation of electricity.

**c. Export of Electricity**

Iran exports electricity to countries such as Pakistan, Armenia, Azerbaijan, Turkey and the Commonwealth of Independent States (CIS). Around the turn of the century, 617m kWh were exported, a figure which substantially increased from 2005 onwards.

d. Power Generation Investments

Similar to most other projects on offer in the energy sector, power projects are also based on buy-back contracts. However, the so-called “Build-Operate- Transfer” (BOT) scheme is also being offered for most power projects. But the fact is that the high subsidies for the Iranian electricity consumers usually leads to a difficulty in getting potential “BOT” projects and other equity-type projects off the ground, though a number of companies have been discussing the issue. As long as the subsidies remain in place, most new Iranian electricity infrastructure would seem likely to be funded from the public resources.

e. Analytical Review of Power Generation & Consumption in Iran

A concise review of the production capacity and consumption of electricity in Iran, since the turn of the present century, would disclose the tremendous growth and development achieved by this crucial industry.

Table 3.4.e.1 Share of Electricity, Gas & Water in the Iranian “GNP” (at current prices)

(billion Rials)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Percentage change** | | **Share (percent)** | |
| 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2006/07 | 2007/08 | 2006/07 | 2007/08 |
| 16,621 | 20,211 | 22,160 | 24,224 | 30,148 | 9.3 | 24.5 | 1.2 | 1.1 |

Source: Central Bank of Iran (CBI)

Table 3.4.e.2 Share of Electricity, Gas & Water in the Iranian “GNP” (at constant 1997/98 prices)

(billion Rials)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Percentage change** | |
| 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2006/07 | 2007/08 |
| 4,222 | 4,623 | 4,919 | 5,331 | 6,058 | 8.4 | 13.6 |

Source: Central Bank of Iran (CBI)

Electricity generation in Iran totaled around 92 billion kWh at the turn of the past century (i.e. 1998-99) of which over 80 billion kWh was produced by gas-fired power stations. Approximately 79 percent of the output was provided by thermal power stations, which produced 12,694 MW of electricity, while oil-fuelled power stations produced just 723m kWh. There were also a dozen hydroelectric power stations with a capacity of around 2,500 MW.

However, comparing the 92 billion kWh of electricity produced in 1999 and the total amount of 192.9 billion kWh generated in 2006/07 suggests the rapid pace of growth realized in this determining industry. Of the total amount of generated electricity in 2006/07, 186.1 billion kWh (96.9 percent) was produced by the power plants under the supervision of the Ministry of Energy and 6 billion kWh, i.e. 3.1 percent, by other enterprises, such as the private sector and large industries.

It is worth mentioning that in line with the provisions of Article 122 of the 4th “FYP” Law, the private sector is encouraged to make investments in the power generation industry.

Moreover, the government is authorized to maintain part of the total amount of the needed electricity for domestic consumption from the private sector.

In the latter year under scrutiny, the highest amount of electricity was generated by steam power plants (89.6 billion kWh) and the least by diesel power plants (0.2 billion kWh). Moreover, the highest growth in electricity generation was assumed by hydroelectric plants, by a rate of 19 percent. The amount of electricity produced by steam power plants was reduced by 1.9 percent and the amount of electricity generated by gas and combined cycle power plants increased by 18.2 percent, to 77.1 billion kWh.

According to the statistical reports published by the Ministry of Energy on the generation of electricity, the production of electricity witnessed a growth rate of 5.9 percent in 2007/08 compared with the preceding year, totaling an amount of 203.8 billion kWh. Of total generated electricity in the said year, 190.2 billion kWh, equivalent to 93.3 percent, was produced by the power plants operating under the supervision of the Ministry of Energy and 13.6 billion kWh, i. e. 6.7 percent, by other institutions, including the private sector and large industries. Considering the 3.1 percent of the electricity generated by the enterprises independent from the Ministry of Energy in 2006/07, on one side, and the 6.7 percent rate of this category of producer’s participation in the total amount of electricity generated in 200/08, on the other side, suggests the partial potentialities existing for future changes in this industry.

In 2007/08, the highest amount of electricity, i. e. 91.1 billion kWh, was generated by steam power plants while diesel power plants accounted for the lowest amount of electricity generation, i. e. 0.2 billion kWh. The highest growth in generation of electricity belonged to gas and combined cycle power plants, by 9.3 percent, while the amount of electricity produced by hydroelectric power plants registered 1.7 percent decline.

Table 3.4.e.3 Generation of Electricity

(Million kWh)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | Percentage change | | Share (percent) | |
|  | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2006/07 | 2007/08 | 200/07 | 2007/08 |
| **Ministry of Energy** | 146,958 | 159,983 | 171,088 | 181,452 | 190,186 | 6.1 | 4.8 | 94.3 | **93.3** |
| Hydroelectric | 11,094 | 10,627 | 16,085 | 18,169 | 17,858 | 13.0 | -1.7 | 9.4 | 8.8 |
| Steam | 85,403 | 88,644 | 89,574 | 88,962 | 91,140 | -0.7 | 2.4 | 46.2 | 44.7 |
| Gas and combined cycle | 50,171 | 60,640 | 65,217 | 74,101 | 80,965 | 13.6 | 9.3 | 38.5 | 39.7 |
| Diesel | 290 | 252 | 212 | 220 | 223 | 3.8 | 1.4 | 0.1 | 0.1 |
| **Other institutions(1)** | 2,688 | 2,841 | 6,915 | 10,997 | 13,644 | 59.0 | 24.1 | 5.7 | **6.7** |
| **Total** | 149,646 | 162,824 | 178,003 | 192,449 | 203,830 | 8.1 | 5.9 | 100.0 | **100.0** |

Source: Ministry of Energy

(1)Includes private sector and large industries.

(2)In 2004/05, 2005/06, 2006/07, and 2007/08, in addition to the mentioned figures, respectively, 40, 69, 125 and 141 kWh electricity was generated by wind turbines of the Ministry of Energy.

Table 3.4.e.4 Production of Electricity

(Billion kW/h)(1)

(Figures in brackets indicate percentage change over the previous period)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Steam** | **Gas & Combined Cycle** | **Hydroelectric, Diesel and Wind Turbines** | **Total** |
| 2007/08: |  |  |  |  |
| Q2 | 27.1 | 28.6 | 5.1 | 60.8 |
| (22.4) | (43.7) | (-27.9) | (23.7) |
| Q3 | 21.2 | 21.2 | 2.6 | 45.1 |
| (-21.6) | (-25.7) | (-48.9) | (-25.8) |
| Q4 | 22.1 | 18.3 | 3.4 | 43.8 |
| (4.1) | (-13.7) | (28.8) | (-2.8) |
| 2008/09: |  |  |  |  |
| Q1 | 23.2 | 26.9 | 2.4 | 52.4 |
| (4.9) | (46.6) | (-29.7) | (19.7) |
| Q2 | 27.5 | 34.0 | 1.3 | 62.8 |
| (18.4) | (26.5) | (-43.1) | (19.8) |
| Q3 | 21.9 | 24.7 | 0.7 | 47.3 |
| (-20.1) | (-27.4) | (-49.8) | (-24.7) |

Source: Ministry of Energy

(1) Until 2007/08, it excludes electricity generated by large manufacturing establishments and private institutions, but since the beginning of 2007/08 it includes electricity generated by power plants affiliated to private sector.

On the consumption side, use of electricity in 2006/07 went up by 9.5 percent, to 147 billion kWh, the highest growth being related to the agriculture sector by 14.1 percent. In public, residential, commercial and industrial sectors, consumption increased by 13.2, 10.1, 8 and 7 percent, respectively.

However, the consumption of power for street lighting went down by a rate of one percent. The major share of electricity consumption, in 2006/07, belonged to residential sector followed by industrial sector, each claiming, respectively, 34 and 31 percent.

Furthermore, consumption of electricity increased by 5.8 percent to 155.6 billion kWh, in 2007,08. The highest growth of electricity consumption belonged to street lighting by 12.1 percent. Electricity consumption by commercial sector increased by 9.1 percent, industrial sector by 8.7 percent, public 5.7 percent, and residential sector by 4.9 percent. During the period under consideration, use of electricity by agriculture sector decreased by 1.2 percent, but the residential and industrial sectors claimed the highest share, each securing 33.6 and 31.8 percent of the electricity consumption, correspondingly.

Table 3.4.e.5 Annual Average Consumer Price Index for Water, Electricity, Gas & other Fuels in Urban Areas

(2004/05=100)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Relative weight in the base year** | **2004/05** | **2005/06** | **2006/07** | **2007/08** | **Percentage change** | |
| **2006/07** | **2007/08** |
| Water | 0.44 | 100.0 | 102.6 | 102.9 | 114.0 | 0.3 | 10.8 |
| Electricity, gas & other fuels | 1.37 | 100.0 | 102.6 | 104.6 | 116.3 | 1.9 | 11.2 |

Source: Central Bank of Iran

Table 3.4.e.6 Annual Average Producer Price Index for Electricity, Gas & Water Supply

(1997/98=100)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Relative weight in the base year** | **2003/04** | **2004/05** | **2005/06** | **2006/07** | **2007/08** | **Percentage change** | |
| **2006/07** | **2007/08** |
| 1.80 | 266.7 | 315.1 | 317.7 | 317.7 | 332.6 | 0 | 4.7 |

Source: Central Bank of Iran

3.5 Transport

a. Overview

a1. Roads

There are over 180,000 kilometers of roads in Iran, of which more than 66 percent are asphalted. Of this total, around 1,500 kilometers are motorway, 30,000 kilometers are highway, 60,000 kilometers are secondary roads, with the remainder being unpaved.

Iran’s paved road system links all its main cities and towns. Among the major roads in Iran are those connecting Turkey in the northwest through gate way of Bazargan border to the Afghanistan border at Taybad on Iran’s eastern border, the road linking Iraq in the west through Ghassr-e-shirin to Pakistan in the southeast through Zahedan, the provincial seat of Sistan and Balouchistan. These two routes are 2,089 kilometers and 2,475 kilometers in length, respectively.

The Ministry of Road and Transport has been seeking to increase the length of roads, repair and maintain others and to construct a number of new motorways. To achieve the latter goal a package of incentives have been given to the private and cooperative sectors since 1991 to participate in developing and maintaining all elements of the country’s transport system.

Bus transportation is available throughout Iran, between and among the main cities and towns and even to remotest districts and villages.

Moreover, all large cities have mass transit systems using buses, and several private companies provide bus service between cities and towns.

a2. Railways

The railway system in Iran is administered by the Islamic Republic of Iran Railways, which is under the supervision of the Ministry of Roads and Transport. The railway has some 8,500 kilometer of track, the substantial majority of which is standard gauge (around 8,273km) and about 150km has been electrified.

The balance is broad gauge, of 94km between Zahedan and Mirjaveh on the border with Pakistan.

The Iranian railway system includes the following main routes:

The Trans-Iranian Railway from Bandar Imam Khomeini on the Persian Gulf to Bandar Turkman on the Caspian Sea: a distance of 1,392km. The line is considered as one of the great engineering achievements of the 20th century;

The Tehran-Kerman Line: 1,106km;

The Southern Line from Tehran to Ahwaz via the holy city of Qom: 937km;

The Tehran-Mashhad Line via Semnan, Damghan, Shahroud and Nishabour: 812km. Moreover, there are several routes from Mashhad, in the far northeast, to a number of destinations, including one to Bafq to link up with the line from Bandar Abbas and another to the border of Turkmenistan at Sarakhs;

The Tehran-Tabriz Line: 736km;

Bandar Abbas-Bafq Line: 730km, which provides access to the copper mines at Sarcheshmeh and the iron ore deposits at Gole-Gohar;

The Tehran-Gorgan Line: 499km;

The Tehran-Bandar Abbas Line, opened in 1995, which connects Bandar Abbas to the railroad system of Central Asia via Tehran and Mashhad.

Furthermore, Iran has a number of railway connections with its neighbors, including a line from Zahedan to Quetta in Pakistan, another to the border of the Republic of Azerbaijan where Iranian railways join with the Caucasian Railways system, and another to the Turkish border at Razi, where it connects through Turkey with the European system. There is also a railway link project between Iran and one of its neighboring countries in the east, i.e. Iraq, part of which is under construction. Part of this link potentially heads directly for the Iraqi capital, Baghdad. On the other hand, one short link of about 50km is intended to connect the Iranian port city of Khorramshahr to the Iraqi port city Basra.

One objective of the Iranian Railways is to have a domestic railway system that will ultimately link Europe with India.

Iranian Railways passenger services offer dining and sleeping cars on many trains, with majority number of them air-conditioned. The Iranian authorities have a strong desire to continue to upgrade track and introduce new lines, where necessary with the partnership of foreign companies.

Meanwhile, Tehran has an underground railway system (metro) known as the Tehran Urban and Suburban Railway Company (TUSRC). Along with extension work on the Tehran metro, six other metro projects are being built at such main cities as Isfahan, Mashhad, Karaj, Tabriz, Shiraz and Ahwaz. In total, 172 extra kilometers will be built in Tehran till 2012 and over 380 kilometers in the other cities. The Tehran Urban and Suburban Railway Company (TUSRC) also operates an electrified line to the north western city of Karaj:

a3. Ports and Shipping

The main ports in Iran are:

-Chabahar (Bandar Shahid Behesthi), on the Sea of Oman;

-Khorramshahr, Bandar Abbas, Bandar Bushehr, Bandar Imam Khomeini and Bandar Shahid Rajai, all on the Persian Gulf;

There are further ports on the Caspian Sea, the most important of which are Bandar Anzali and Bandar Turkman. These two latter ports are Iran’s sea links to the north and Turkmenistan, Uzbekistan, the Russian Federation and the Republic of Azerbajian.

However, Iran’s major port of entry is Bandar Abbas on the Persian Gulf (Strait of Hormuz). After arriving in Iran, imported goods are distributed throughout the country by trucks and freight trains. As mentioned earlier, the Tehran-Bandar Abbas railroad, inaugurated in 1995, links Bandar Abbas to the railroad system of Central Asia via Tehran and Mashhad.

Abadan, Bandar-e- Lengeh, Bandar-e Mahshahr, Kharg Island, Lavan Island, Sirri Island, Arvand Kenar (all in the south) and Noshahr and Amirabad (on the Caspian Sea) are other major ports and harbors in Iran.

Iran has two major shipping companies:

 The Islamic Republic of Iran Shipping Lines (IRISL), the largest cargo fleet in the Middle East with an affiliated company. “IRISL” which operates under the supervision of the Ministry of Commerce, provides liner services between Iran and Persian Gulf ports, Europe and the Far East, as well as within the Caspian Sea to Central Asian locations.

 The National Iranian Tanker Company (NITC), the largest tanker fleet in the Organization for the Petroleum Exporting Countries (OPEC). NITC is a subsidiary of the National Iranian Oil Company (NIOC) which itself is affiliated to the Ministry of Petroleum.

Furthermore, Iran also has inland waterways. The Karun is the only navigable river in the country, but only about 130km of its length. This river is used to transport both passengers and cargo. Lake Orumiyeh, in the northwest, has a passenger and cargo ferry service which operates between the towns of Golmankhaneh and Sharafkhaneh.

a4. Air

The main international airport in Iran is, presently, Imam Khomeini Airport, reported to be one the largest in the Middle East region-after completion of its final phase. It substituted Mehrabad International Airport a couple of years ago, with the latter being currently used for domestic flights. There are also another seven airports located around the country that are capable of handling international flights, i. e. Ahwaz, Bandar Abbas, Isfahan, Mashhad, Shiraz, Tabriz and Zahedan. In total, there are 331 airports throughout the country, which 54 out of the total number are considered to be major airports.

Iran’s major airline and national carrier is Iran Air which serves the Middle East, Europe, the Far East as well as a number of destinations in Africa and South America, in addition to a number of domestic destinations. Iran Air which also operates cargo services, has a fleet mainly consisting of Boeing and Airbus aircrafts, the latter including some of the latest to come off the production line. Other domestic airlines include Iran Asseman Air, Iran Air Tours, Mahan and Kish Air.

b. Performance of Transportation Sector

Transportation sector registered a progressive and acceptable performance in the two consecutive years 2006/07 and 2007/08. According to the available statistical data on national accounts, the value-added of this sector, at constant 1997 prices, grew by 10 percent in 2006/07. Concerning the group of “transport, storage and communications”, the value-added recorded 14 percent growth, i. e. a growth rate well above the target of 11.2 percent set in the 4th FYP.

During the latter period under study, 68.5 billion person-kilometers of passengers and 152.6 billion ton-kilometers of goods were transported, in the land transport sector (rail and road), i. e. realization of, respectively, 3.8 and 12.2 percent growth in comparison with the similar performances in 2005/06. Furthermore, 21.8 million passengers and 110.4 million tons of goods were transported, in air and sea transport, showing 11.2 and 13.5 percent increase, correspondingly.

Meanwhile, in pursuit of the goal to enhance growth in transportation sector, a series of initiatives were adopted and executed in 2006/07, as follows:

-conclusion of the Transport Cooperation Agreement between the Islamic Republic of Iran and Turkey;

-signing of a Memorandum of Understanding (MoU) among Iran, Tajikistan and Italy on road transport;

-inking of an Agreement between Iran and the United Arab Emirates on air transport of cargo;

-privatization of part of transport sector;

-utilization of facilities extended by the Islamic Development Bank (IDB) worth €27m for construction of the western railroad;

-maintenance of the required volume of cement and steel for the realization of development projects;

-introduction of the Law of Iran’s Accession to the Organization of Economic Cooperation (ECO) Transit Transport Framework Agreement;

-submission of a bill on “Enhancement of Road Transport Safety”.

b1. Investments in 2006/07

In line with the Budget Law for 2006/07, a sum of IR 13,960.5 billion was allocated to the implementation of acquisition of non-fiscal national assets projects of transportation sector, covering road, air, sea and rail, and transportation research program. The aforementioned allocated sum represented an increase of 9.9 percent compared with the due figure in the previous year.

On the basis of reports issued by the Treasury General, IR 12, 248.4 billion was allocated to the transportation sector, displaying 87.7 percent realization compared with the approved figure and 13 percent decline in comparison with the performance of this sector in 2005/06. Moreover, road and rail transport sectors secured the highest shares of paid credits by the rates of 63.8 and 32.7 percent, correspondingly; while the credits, paid to air and rail transport sectors represent 205.9 and 101.2 percent realization of the target set in the Budget Law of the year under investigation.

Table 3.5.b1.1 Government Acquisition of Non-Financial National Assets in Road and Transportation Sector and Transportation Research Program

(billion rials)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **Percentage change** | |
| 2004/05 | 2005/06 | 2006/07 | 2005/06 | 2006/07 |
| 9,411.4 | 14,075.9 | 12,248.4 | 49.6 | -13.0 |

Source: Treasury General, Ministry of Economic Affairs and Finance

b2. Freight and Passenger Transport

Road Transport

The shares of road transport sector in total passengers and goods carried were 90.7 and 75.3 percent, correspondingly, in 2006/07, the mentioned rates were lower than the relevant figures in the previous year. Furthermore, 437.6m tons of goods (with or without bill of lading) were carried through roads during the period under consideration. Road freight traffic measured in ton-kilometers (with bill of lading) recorded a rise of 13 percent to reach 132,070m ton-kilometers.

Meanwhile, 11.6m tons of goods were transited, in the forms of land transit and swap, through roads and rail, up by 28.5 percent compared with the previous year. Rise in the imports of goods along with the operation of new highways, were among the principal causes for the increase observed in the volume of imported goods in 2006/07.

Table 3.5.b2.1 Road Transport

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Percentage change**  | |
|  | **2004/05** | **2005/06** | **2006/07** | **2005/06** | **2006/07** |
| Goods carried  (billion ton/kms) | 110.6 | 116.9 | 132.1 | 5.7 | 13.0 |
| Goods transited  (million tons)(1) | 9.1 | 9.1 | 11.6 | -0.6 | 28.5 |
| Passengers carried  (billion person/kms) | 54.8 | 54.9 | 56.0 | 0.2 | 2.0 |

Source: Transportation and Terminals Organization (TTO)

(1) Land Transit (road and rail) and swap

Moreover, according to the statistical reports released by the Islamic Republic of Iran Police, 1,967.4 thousand vehicles were numbered in the period under scrutiny, revealing 4.7 percent decline compared with the previous year.

Reviewing the performance of road transport fleet in 2006/07 reveals that 199.6 thousand trucks for transporting goods and 37.5 thousand buses, minibuses and taxis were operational in carrying passengers.

Table 3.5.b2.2 Road Transport Fleet

(Thousands)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Percentage change** | |
|  | **2004/05** | **2005/06** | **2006/07** | **2005/06** | **2006/07** |
| Trucks | 231.9 | 181.9 | 199.6 |  | 9.7 |
| Buses | 16.8 | 11.4 | 11.4 |  | 5.3 |
| Minibuses | 41.9 | 13.1 | 13.1 |  | 16.8 |
| Taxis | 10.3 | 8.6 | 10.2 |  | 18.6 |

Source: Transportation and Terminals Organization (TTO)

Figure 3.5.b2.1 Number of Passengers Carried by Transportation Sector

Rail Transport

The reports released by the Islamic Republic of Iran Railways suggest that the total goods carried by rail, in 2006/07, amounted to 32.9m tons, displaying 8.7 percent growth in comparison with the year before.

Railway freight traffic measured in ton-kilometers rose by 7.4 percent, to 20.5b ton-kilometers. However, rail share over total transportation, in terms of tons, remained virtually unchanged at the previous year level of 5.7 percent. This situation may be interpreted, basically, in terms of the higher cost of transport by rail, on one hand, and the existing capacity constraints in the railroad network. Moreover, 1.1m tons of goods were transited by rail, indicating 13.9 percent decline compared with the preceding year.

In line with the data published by Raja Passenger Trains Company, 21.3m passengers were carried by rail, up by 9.8 percent as compared with the year before. This suggests that the share of passenger transport by railway increased from 4.3 percent in 2005/06 to 4.6 percent in 2006/07.

Table 3.5.b2.3 Rail Transport

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Percentage change**  | |
|  | **2004/05** | **2005/06** | **2006/07** | **2005/06** | **2006/07** |
| Goods carried  (billion ton/kms) | 18.2 | 19.1 | 20.5 | 5.2 | 7.4 |
| Goods transited  (million tons) | 1.4 | 1.3 | 1.1 | -6.8 | -13.9 |
| Passengers carried  (billion person/kms) | 10.0 | 11.1 | 12.5 | 11.4 | 12.6 |

Source: Islamic Republic of Iran Railways

Air Transport

In the period under study, the total number of air passengers amounted to 18.1m, up by 15.3 percent compared with the preceding year. This growth mostly concerned the domestic flights. Air share in total passenger transport secured 3.9 percent, indicating 0.4 percentage point growth. The stable fares for domestic flights as compared with other modes of transport was recognized as the main reason behind this rise. Moreover, the number of new seats added to the air transport fleet of Iran, in 2006/07, were, 1200; while 68.5 percent of the total passengers were carried by domestic and the remainder by international flights.

Table 3.5.b2.4 Air Transport

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Percentage change** | |
|  | **2004/05** | **2005/06** | **2006/07** | **2005/06** | **2006/07** |
| **Passengers carried**  **(million persons)** | 14.2 | 15.7 | 18.1 | 10.6 | 15.3 |
| Domestic flights | 9.4 | 10.6 | 12.4 | 12.8 | 17.0 |
| International flights | 4.8 | 5.1 | 5.7 | 6.3 | 11.8 |
| **Goods carried**  **(thousand tons)** | 130.6 | 150.4 | 166.7 | 15.2 | 10.8 |

Source: Ministry of Road and Transportation

Sea Transport

In the year under investigation, the nominal capacity of commercial ports reached 122.5m tons, concerning oil and non-oil cargo, representing 4.7 percent growth compared with the preceding year. The principal causes of this growth should be attributed to the further development of infrastructures, anchoring equipment and more prevalent use of high tech. The capacity of commercial sea transportation fleet reached 3.8m tons, remaining virtually unchanged compared with the previous year.

Furthermore, container operations in commercial ports grew by 17.9 percent to 1,660 thousand TEU (i.e. Twenty-Foot Equivalent Unit) in 2006/07 from 1,407 thousand TEU in the preceding year.

Container capacity in ports increased by 15 percent to 2,300 thousand TEU, suggesting full realization of the target envisaged in the 4th FYP.

Figure 3.5.b2.2 Volume of Goods Carried by Transportation Sector

In the year under review, 9,169 cargo ships, with over 1,000 tons capacity, holding a total capacity of 111m tons, entered 13 ports of which 2,513 were domestic and the remainder foreign ships. Traffic flow grew by 11 percent in 2006/07.

On the basis of the data released by the Ports and Shipping Organization, 110.2m tons of oil and non-oil commodities were loaded and un-loaded in ports, during the period under study, up by 13 percent compared with the previous year. It should be noted that since transportation of oil products is largely conducted by the National Tanker Company (affiliated to the Ministry of Petroleum), the statistical data released by the Ports and Shipping Organization cover only about 60 percent of the sea transport.

Table 3.5.b2.5 Ports Container Traffic

(million tons)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Percentage change**  | |
|  | **2004/05** | **2005/06** | **2006/07** | **2005/06** | **2006/07** |
| **Non-oil goods** | 49.9 | 54.8 | 63.6 | 9.8 | 16.0 |
| Unloading | 33.7 | 35.3 | 41.9 | 4.6 | 18.8 |
| loading | 16.2 | 19.5 | 21.7 | 20.6 | 10.9 |
| **Oil products** | 43.5 | 42.7 | 46.6 | -1.8 | 9.1 |
| Unloading | 25.4 | 27.0 | 31.4 | 6.1 | 16.5 |
| loading | 18.1 | 15.7 | 15.2 | -12.9 | -3.6 |
| **Total** | 93.4 | 97.5 | 110.2 | 4.4 | 13.0 |

Source: Ports and Shipping Organization

In the meantime, the existing statistics show that imports of goods by oil tankers and non-oil cargo ships registered 9.7 and 39.3m tons, up by 33.3 and 19.2 percent compared with 2005/06. Furthermore, imports of non-oil goods through ports made up 93.1 percent of total non-oil imports, suggest a minor decline compared with the preceding year.

Table 3.5.b2.6 Performance of Ports

(million tons)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Percentage change**  | |
|  | **2004/05** | **2005/06** | **2006/07** | **2005/06** | **2006/07** |
| **Oil tankers** |  |  |  |  |  |
| Import | 6.4 | 7.3 | 9.7 | 13.8 | 33.3 |
| Export | 16.0 | 14.0 | 12.4 | -13.0 | -11.1 |
| Transit | 4.7 | 4.1 | 6.7 | -13.0 | 63.1 |
| Cabotage(1) | 16.3 | 17.3 | 17.7 | 6.4 | 2.3 |
| **Non-oil cargo ships** |  |  |  |  |  |
| Import | 31.4 | 33.0 | 39.3 | 5.0 | 19.2 |
| Export | 13.7 | 16.9 | 18.7 | 23.4 | 10.5 |
| Transit | 1.1 | 1.3 | 1.1 | 22.1 | -18.4 |
| Cabotage | 3.7 | 3.6 | 4.5 | -3.5 | 1.3 |

Source: Ports and Shipping Organization

(1) Cross ports operations in goods transportation from one point to another via sea or border river in the same country.

In the year under scrutiny, passenger traffic in ports showed 4.5 percent decline in comparison with 2005/06. Of total 3.7m port passengers, 1.9m were disembarking and the remainder embarking.

Table 3.5.b2.7 Performance of Ports by Passenger Traffic

(thousand persons)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Percentage change**  | |
|  | **2004/05** | **2005/06** | **2006/07** | **2005/06** | **2006/07** |
| Embarking | 2,236 | 1,869 | 1,754 | -16.4 | -6.2 |
| Disembarking | 2,453 | 1,992 | 1,935 | -18.8 | -2.9 |
| **Total** | 4,689 | 3,861 | 3,689 | -17.6 | -4.5 |

Source: Statistical Yearbook of Ports and Shipping Organization

c. Performance of Transportation Sector in 2007/08

c1. Investments

A sum of IR 16,589.3b was allocated and approved for the implementation of acquisition of non-fiscal assets projects in this sector, in 2007/08, showing an increase of 18.8 percent compared with the allocated figure in the preceding year.

The Treasury General reported that the government spent IR 13,590.7b for the implementation of the projects concerning transportation sector, indicating an increase of 11 percent compared with the previous year and realization of 81.9 percent of the approved amount of financial resources for this economic sector. The highest shares of realization were secured by the “applied research projects” and “air transport” by 572.0 and 535.9 percent, correspondingly.

During 2007/08, out of the total amount of IR 47 trillion approved for the issuance of the public-sector participation papers, IR 6 trillion was considered for the financing of the projects related to transportation sector, and 93 percent of the issued participation papers were sold for the financing of this sector.

c2. Price Indices

In 2007/08, the Transportation Consumer Price Index (on the basis of 2004/05) grew by a rate of 13.5 percent, in comparison with the previous year.

The price index of travel expenses, with 21.4 percent rise, accounted for 45 percent of the increase in transportation price index. This growth was basically due to fare increases for taxis and inter-city buses by 25.2 and 17.8 percent, respectively.

Furthermore, the Producer Price Index for land and air transport sectors increased by 15.6 and 15.0 percent, respectively.

c3. Number of Passengers in 2007/08

In the year under consideration, 455.6m passengers were carried by roads, displaying 8.5 percent growth. The figure concerning the passengers using railroads was 24.5m, showing 14.6 percent rise, those embarking and disembarking at ports was 3.9m, representing an increase of 5.2 percent, and those departing and arriving at airports was 31.9m, revealing 4.3 percent rise in comparison with 2006/07.

c4. Volume of Goods Carried in 2007/08

In the year under review, 485.0m tons of goods (with or without bill of lading) were carried through roads, displaying 10.8 percent increase compared with the preceding year. Meanwhile, 4.5m tons of oil and non-oil goods were transited, during the same period, through roads, showing one percent decline in comparison with the performance of the year before.

Moreover, railway freight traffic was 31.0m tons and 1.6m tons of goods were transited through railroads, representing 6.7 percent rise compared with 2006/07.

In 2007/08, 66.7m tons of commercial and 40.3m tons of oil goods were carried through the Iranian ports, revealing 4.9 percent growth and 13.5 percent decline, respectively.

Container operations in ports amounted to 1,963 thousand TEU, up by 18.0 percent compared with the previous year.

In the meantime, the amount of cargo carried by air, domestically and internationally, went up by 0.6 and 5.1 percent to 32.3 and 129 thousand tons, respectively.

c5. Infrastructure Upgrade in Transportation Sector

In 2007/08, the length of the roads under the authority of the Ministry of Road and Transportation, excluding rural roads, reached 73.5 thousand kilometers, disclosing 1.2 percent growth. The length of freeways and highways grew by 12.3 and 13.0 percent to 1.6 and 6.2 thousand kilometers.

In the same year, the length of the main railroads reached 8.7 thousand kilometers and the number of locomotives amounted to 635, representing 2.6 percent increase.

Furthermore, the number of cargo ships, with over 1,000 tons capacity, grew by 1.2 percent and reached 9,266. the number of cargo ships, with less than 1,000 tons capacity, increased by 14.4 percent to 23 thousand.

Meanwhile, in 2007/08, the number of national air fleet increased from 76 to 123, revealing a remarkable growth of 61.8 percent.

Table 3.5.c5.1 Performance of Key Indices in Air Transport Sector

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Performance** | | | **Percentage change** | |
| Indices | Unit | 2005/06 | 2006/07 | 2007/08 | 2006/07 | 2007/08 |
| Airport capacity for departures and arrivals | million persons | 62 | 67 | 72 | 8.1 | 7.5 |
| Replacement and development of national air fleet | aircraft | 78 | 76 | 123 | -2.6 | 61.8 |
| Air fleet productivity | hours | 7.48 | 7.36 | 7.26 | -1.6 | -1.4 |
| Share of non-public sector in domestic flights | percent | 36.0 | 39.7 | 43.9 |  |  |
| Share of non-public sector in international flights | percent | 47.3 | 49.8 | 53.1 |  |  |

3.6 Telecommunications

a. Overview

Iran is one of the fastest-growing telecommunications markets in the Middle East and, certainly, the largest network in the region. Historically, all telecommunications were in the public sector and were operated by the Telecommunications Company of Iran which is affiliated to the Ministry of Communications and Information Technology (formerly, the Ministry of Post, Telegraph and Telephone). However, private investments in this sector too is now highly encouraged.

The astonishing growth in the communications sector during the past couple of decades, has inevitably stretched available services to the maximum, despite heavy investments made over the mentioned span of time. This indicates a vivid need for the public-sector, as well as the private enterprises, to address further expansion of public switching systems, thereby increasing the number of lines available, in addition to enhancing the existing equipment to further expand the current domains of satellite communications, mobile cellular networks, rural telecommunications networks and data communications systems.

Table 3.6.a.1

| No | Service/facility | 2000 | 2006 | 2007 | Sep. 2008 |
| --- | --- | --- | --- | --- | --- |
| 1 | Fixed line activation | 9,486,260 | 22,626,944 | 23,585,125 | 24,298,196 |
| 2 | Mobile subscriber activation | 962,595 | 15,385,289 | 21,545,510 | 27,773,850 |
| 3 | Connected villages | 28,062 | 51,058 | 52,563 | 52,518 |
| 4 | Fixed line penetration rate | 14.9 | 32,57 | 33,06 | 33/67 |
| 5 | Mobile subscriber penetration rate | 1,51 | 22,20 | 30/10 | 38/20 |
| 6 | Transmission channels | 405,997 | 1,371,712 | 1,758,142 | 2,175,325 |
| 7 | International channels (incoming) | 8,483 | 11,226 | 12,970 | 15,381 |
| 8 | Public phone booths local | 84,971 | 167,366 | 177,753 | 196,211 |
| 9 | Long-distance public phone booths | 11,813 | 89,460 | 113,499 | 136,815 |
| 10 | Cities under the mobile network coverage | 337 | 1,016 | 1,016 | 1,056 |
| 11 | Areas with long-distance connection | 2,962 | 6,280 | 6,280 | 6,280 |
| 12 | Data transmission network (cities) | 129 | 942 | 1,086 | 1,150 |
| 13 | International band width (mbps) | - | 3,726 | 9,626 | 12,734 |
| 14 | Optical fiber network (km) | 7,205 | 75.000 | 77,500 | 79,100 |
| 15 | Rural ICT Offices | - | 2,287 | 3,668 | 6,412 |

Source: Telecommunications Company of Iran (TCI)

**b. Fixed Line Telephone Network Development**

This network has rendered high growth rate, as it soared from 17,798,809 lines (26.32 percent penetration rate) in 2004 to 24,298,196 lines (33.67 percent penetration rate) in September 2008. It is anticipated that this network will soon be further expanded to exceed 36,300,000 lines (50 percent penetration rate).

Figure 3.6.b.1 Number of Fixed Lines from 1997 to 2008

Source: TCI

c. Mobile Cellular Network Development

Mobile subscriber base of Iran jumped from 8,453,986 (17.49 percent penetration rate) in 2004 to 27,773,850 (38.20 percent penetration rate) in 2004 to 27,773,850 (38.20 percent penetration rate) in September 2008. Furthermore, the number of the cities under coverage of the mobile network tremendously increased from 851 in 2004 to 1,056 in September 2008. The international roaming connection with 102 countries (231 operators) has been established for the local mobile subscribers.

Figure 3.6.c.1 Number of Mobile Subscribers from 1997 to 2008

Source: TCI

d. Optical Fiber Network Expansion

The national optical fiber network has been expanded to 79,100km to provide better local, national and international connections for voice, data and multimedia transmission.

The so-called TAE (Asia-Europe) is one of the measures adopted to connect Asia to Europe through Iran via a 2,200km optical fiber cable. Among the other relevant projects is Iran-Afghanistan 150km optical fiber cable which would ultimately further enhance the network.

Figure 3.6.d.1 Optical Fiber Network Expansion from 1997 to 2008

Source: TCI

e. Rural ICT Development

The number of villages and towns connected to the Iranian ICT network increased from 46,764 in 2004 to 52,518 in September 2008. It further exceeded to cover 62,120 villages and towns in 2009. In addition, 6,412 rural TCI offices were launched in September 2008 which later on were extended to up 10,000 by the end of 2009.

Figure 3.6.e.1 Number of Villages & Towns Connected with

National ICT

Source: TCI

f. Public Phone Booth Expansion

The number of public phone booths set up by TCI reached 208, 845, including local and long-distance coin/card fed phone sets.

g. Transmission Channel Expansion

The Iranian national telecom network incorporates 2,175,325 transmission channels.

h. IT Network Development

The Iranian national IT network is equipped with 2,276 data centers, 41,229 data access ports and 133,013 installed ports. Furthermore, 1,150 cities are under the coverage of the national IT network and the international bandwidth has been increased to 12,734 mbps. 18,229 e-bank branches, 324 universities connected to the internet via optical fiber cables and over 21m national Internet user base are among the IT services provided by the national network operator.

Table 3.6.h.1 Situation of Telecommunication in 1977

|  |  |
| --- | --- |
| The number of fixed telephone subscribers | 850800 |
| Penetration rate of fixed telephone | 2.34 |
| Connected villages | 312 |
| Public telephone network | 4,294 |
| Long distance connected points | 82 |

Source: TCI

Table 3.6.h.2 TCI Plan for 2009

|  |  |
| --- | --- |
| The number of fixed telephone subscribers | 36,300,000 |
| The number of mobile telephone subscribers | 36,300,000 |
| The number of internet users | 30,000,000 |
| Penetration rate of fixed telephone | %50 (at least) |
| Penetration rate of mobile telephone | %50 (at least) |
| Connected villages | 62,120 |

Source: TCI

i. Iranian Telecom Privatization

In line with Note C of the General Policies of Article 44 of the Constitution of the Islamic Republic of Iran, the Ministry of Communications and Information Technology is floating the shares of its affiliated companies in the stock market.

The principal objectives pursued through the execution of this strategic policy are, inter alia, as follows:

to empower the private sector in the telecom industry to produce mobile handsets and the relevant equipment;

to support the domestic telecom products through appropriate ways, such as granting loans;

to ensure daily response to the demands for new telephone lines;

to speed up establishment of a comprehensive national intelligent network;

to increase the Internet bandwidth in Iran, up to 4.5 times;

to further reduce Internet tariffs.

Under the General Policies of Article 44 of the Iranian Constitution, telecom companies are categorized in four groups as follows:

Group 1: Among the 30 provincial telecom networks, the fixed telecom networks concern those of Tehran, Isfahan, Fars, Hamedan, Khuzestan, Khorassan Razavi and East Azerbaijan. This group pertains to fixed line telecom networks, including those in the public sector with 30 subsidiary networks in provinces.

The non-governmental sector consists of companies each having hundreds of thousands of subscribers.

Group 2: This group concerns mobile phone networks. In the public sector, they include the Telecommunication Company of Iran (TCI). In the private-sector, they include telecommunications companies such as Omran Kish, Asre Telecom, Isfahan, Rafsanjan Complex and Irancell.

Group 3: There is only one public network in the data network sector, namely Data and Telecommunications Company of Iran which is regarded basic telecom network and Shomal IT Company. In the private-sector, there are over 100 companies with a shared data network.

Group 4: The subsidiary telecom network named Subsidiary Telecommunications Company is another principal telecom network. This company is totally owned by the government and not intended for privatization.

Moreover, “TCI” shares are to be distributed in the following manner:

5 percent at “IPO” stage to the public buyers;

4 percent to the “TCI” personnel;

20 percent to the underprivileged through the mechanism of “Justice Shares”;

51 percent in blocs to the potential investors.

In the meantime, the five members of “TCI” Board of Management, after privatization, will be appointed as follows:

One member, representing the state;

 Three members, representing the investors who buy the 51 percent of the shares in blocks;

 One member, representing simultaneously the public sector and the government.

3.7 Free Trade-Industrial Zones & Special Economic Zones

a. Overview

The Iranian Free Trade-Industrial Zones and Special Economic Zones are created to offer the investors and other economic players access to a liberal and market-oriented economic system and work as a gateway for foreign enterprises to come to Iran as well as for Iranian companies to go international.

Initially, the three following areas had been designated as Free Trade-Industrial Zones:

-Chabahar, a port city close to Pakistan;

-Kish Island, in the Persian Gulf;

-Qeshm Island, in the Strait of Hormuz.

However, subsequent to ratification of a single article by the parliament a restricted area of the cities of Abadan and Khorramshahr and restricted areas of the cities of Jolfa and Bandar Anzali were designated by the Board of Ministers to be recognized as the Free Trade-Industrial Zones.

The newly established Zones are run in accordance with the provisions of the Law on the Administration of Free Trade-Industrial Zones, ratified on August 29, 1993 and the subsequent amendments.

Arvand, Aras and Anzali are the official names adopted, respectively, for the above-mentioned Zones. Moreover, in line with a special decree issued by the Economic Commission of the Cabinet, the delimitation area of the Aras Free Zone (located in East Azerbaijan Province) was later expanded from the initially determined area of 9,700 hectares to 22,000 hectares.

b. Free Trade-Industrial Zones

b1. Administrative Structure

The Free Trade Zones, according to the provisions of the due law, are under the direct supervision of the High Council of Free Trade and Industrial Zones, which is presided over by the President of the Islamic Republic of Iran and includes, among others, 11 ministers and the governor of the Central Bank. Furthermore, the High Council of Free Trade-Industrial Zones had delegated the administration of the Free Trade Zones to independent bodies named the “Free Zone Organizations” which are exempted from much of the red tape existing on the mainland.

b2. Advantages

The basic privileges offered to foreign companies by Iran’s Free Trade Zones, in comparison with the investments made by the former in the mainland, include:

 the guarantees extended by the relevant Free Zone Organizations to direct investments and the investments made within the framework of joint ventures. The guarantees cover capital, machinery, raw materials, manufactured products and profits generated by foreign investments in the Iranian Free-Trade Zones;

 100 percent ownership of the companies established by foreign investors;

 issuance of investment licenses by the competent Free Zone Organizations, at most, within a fortnight upon the submission of an application form;

-free entry and exit of capital and profits gained from economic activities in the Free Zones;

-free importation of machinery, spare parts and capital-related transport vehicles, raw materials and construction materials for setting up productive, commercial and service-rendering enterprises;

 a 15-year tax holiday on assets and income;

 no visa restrictions in case of direct entry from abroad;

 no formalities for importation and unloading of transit goods;

 recruitment of foreign specialists, for up to 10 percent of the total work force;

 permissibility of importation of certain percentage of goods from the Free Zone to the mainland, without routine customs formalities;

 flexible labour and employment regulations;

 exportation of the manufactured goods to other countries without being subject to mainland export regulations;

 permissibility of foreign companies registered in Free Zones to open representative offices on the mainland to engage in all activities related to facilitation and promotion of the company’s objectives in the Zone;

 unlimited leasing privileges concerning the properties used by foreign companies, as well as the right to sell the same privileges for a mutually agreed price, at any time;

 liberal banking and foreign exchange laws and regulations on the basis of free market rates;

 authorization of foreign banks and insurance companies to open branch offices in the Zones.

b3. Kish Free Trade Zone

Kish Island, the second largest in the Persian Gulf, has a total area of 91 sq. km. This island is situated 18km from the nearest port of the mainland, 90km from Bandar Lengeh, 300km from Bandar Abbas, 1052km from Tehran and 200km from Dubai. Known as the pearl of Persian Gulf, Kish has a moderate climate for eight months of the year. Picturesque coastal scenery, a unique aquarium, recreational and water sports facilities are among a number of attractions which have made Kish an ideal place for the booming of the tourism industry.

Work on the island’s infrastructure first began before the 1979 Islamic Revolution, when the government was implementing plans to develop the island as an exclusive tourist resort. However, following a 1.5-decade interval, the projects resumed in 1993, when Kish Island became the first Iranian Free Trade Zone.

From the commercial aspect, mainland and the countries around the Persian Gulf are within the sphere of influence of Kish economy, and from the aspect of tourism, it goes as far as the Central Asian Republics.

Kish international airport, the third busiest international airport in Iran, manages daily flights which connect the island with 12 major cities in Iran and over 10 destinations abroad. The Kish harbor designed with a depth of 4m, has the capacity to accommodate 2000 ton vessels.

Moreover, the production rate of the water desalination facility of the island is over 8,000 cubic meter, per day.

90 megawatts of electricity is locally generated and the Kish telephone network soon will be connected to an advanced 5,000 extensions network, with 1,000 cell phones.

Meanwhile, the island has over 1,000 accommodation spaces, consisting of 4,00 hotel rooms, at various standards, and 650 residences, including villas and suites. Four residential estates have been allocated in the comprehensive development plan of Kish.

Contact Information:

|  |  |
| --- | --- |
| Local Office: | Kish Free Zone Organization |
| Fax: | +98 76444 22683 |
| Tel: | +98 76444 222141 |
| Tehran Office: | No. 143, 29th St. Khaled-Eslamboli Ave. Argentina Square, Tehran, Iran |
| Tel: | +98 88771062,3 |
| Fax: | +98 21 8882314 |
| Email: | info@kish.ir |
| Web site: | www.kish.ir |

b4. Qeshm Free Trade Zone

The Persian Gulf island of Qeshm, around 1,500 sq.km in area, is the largest island in this region. It lies on Iran’s southern shore along the upper part of the Strait of Hormuz, 22km from Bandar Abbas and 220km from the United Arab Emirates. Therefore, due to its geographical location, the island enjoys easy access to all Persian Gulf neighbors. The total area of this Free Zone is 300sq. km.

Qeshm has been designed mainly as an industrial Zone. The natural gas reserve of the island, refined in Gavarzin refinery, provides all the gas used in the area. In addition to that, other oil and gas reserves have been explored around the island. The island’s deep coast enables the construction of quays for high tonnage vessels. Besides the mainland Iran and the Asian republics markets, all the countries at the southern coast of the Persian Gulf are in the sphere of economic influence of Qeshm Free Zone.

Furthermore, the Free Zone has a high quality road transportation network and an international airport welcoming passengers and cargo aircrafts to the island. Numerous ferries, barges and speed boats enable passengers to travel to and from nearby Bandar Abbas. A plan for the Persian Gulf bridge connecting Qeshm to the southern coasts of Iran is underway.

In the meantime, the Free Zone is connected to the nationwide electricity network. Moreover, power stations have been installed in the Zone. Water is provided by desalination facility as well as a few wells. Internationally connected telecommunication is also available in the island.

The existing hotel in the island has all the necessary facilities to welcome guests. In addition, a 108-room hotel, up to internationally acceptable standards, is currently under construction.

Contact Information:

|  |  |
| --- | --- |
| Local Office: | Qeshm Free Zone Organization |
| Fax: | +98 763 5595 522 |
| Tel: | +98 763 522 7007 |
| Tehran Office: | No. 143, 29th St. Khaled-Eslamboli Ave. Argentina Square, Tehran, Iran |
| Tel: | +98 21 887 24874 |
| Fax: | +98 21 887 24870 |
| Email: | +98 21 887 21859 |
| Web site: | www.qeshm.ir |

b5. Chabahar Free Trade Zone

Chabahar Free Zone, measuring a total area of 145sq.km, is situated in the extreme southeast of Iran in Sistan and Balouchestan Province, by the Oman Sea adjacent to the city of Chabahar, hence on international shipping routes in the Indian Ocean.

It is located 1,450km from Tehran, 705km from Dubai and 660km from Karachi.

Five thousand hectares of the Zone are allocated for industrial activities and 1,500 hectares are reserved for trade, transit, tourism and service-rendering purposes.

Chabahar, the sole port and entry point to the mainland via Oman Sea, links the Central Asian republics with international waters for the transit of goods.

Chabahar is best known for its access to abundant fisheries in the Oman Sea. Most of tropical produces can be cultivated there. The strategic position of Chabahar gives it ready access to high seas and places it in a most convenient status among regional markets.

Moreover, there is a dock in Chabahar Free Zone which harbours ocean-going vessels and facilities loading and unloading of up to 2m tons of goods per annum. There is also an international airport and land transportation routes which links the area to as far as Central Asia.

In the meantime, adequate reserves of water and electricity, efficient and sophisticated telecommunication network, warehouses and cold storage facilities are readily available.

Contact Information:

|  |  |
| --- | --- |
| Local Office: | Chabahar Free Zone Organization |
| Fax: | +98 545444 2237, 2229 |
| Tel: | +98 545444 1445-7 , 2200-9 |
| Tehran Office: | No. 143, 29th St. Khaled-Eslamboli Ave. Argentina Square, Tehran, Iran |
| Tel: | +98 21 88879374 |
| Fax: | +98 21 88771061 |
| Email: | info@cfzo.com |
| Web site: | www.cfzo.com |

|  |  |
| --- | --- |
| Local Office: | Anzali Free Zone Orgnization |
| Fax: | +98 132 4423006 |
| Tel: | +98 132 4422671-3 |
| Tehran Office: | No. 143, 29th St., Khaled-Eslamboli Ave., Argentina Sq, Tehran, Iran |
| Tel: | +98 21 88889391, 2 |
| Fax: | +98 21 88774301 |
| Email: |  |
| Web site: | www.anzali-fz.org |

|  |  |
| --- | --- |
| Local Office: | Arvand Free Zone Organization |
| Fax: | +98 631 3331120 |
| Tel: | +98 631 3334017,3 |
| Tehran Office: | No. 143, 29th St., Khaled-Eslamboli Ave., Argentina Sq, Tehran, Iran |
| Tel: | +98 21 88889458 |
| Fax: | +98 21 88883040, 88889505 |
| Email: | info@arvandfreeZone.ir |
| Web site: | www.arvandfreeZone.ir |

|  |  |
| --- | --- |
| Local Office: | Aras Free Zone Organization |
| Fax: | +98 492 3024949 |
| Tel: | +98 492 3024952 , 3024950 |
| Tehran Office: | No. 143, 29th St., Khaled-Eslamboli Ave., Argentina Sq, Tehran, Iran |
| Tel: | +98 21 88889458 |
| Fax: | +98 21 88889438 |
| Email: | info@arasfz.ir |
| Web site: | www.arasfz.ir |

c. Special Economic Zones

The Islamic Republic of Iran currently has about forty Special Economic Zones throughout the country. While establishment of Free Trade Zones depends on an Act of the Islamic Consultative Assembly (Majlis), Special Economic Zones can be created by a decree from the Board of Ministers. The basic difference between Special Economic Zones and Free Trade Zones is that the latter are administered by a certain set of laws and regulations, while the former are subject to the normal rules and regulations prevailing on the mainland. The only difference relates to import and export regulations where the Special Economic Zones offer better terms and conditions than the mainland.

Special Economic Zones of Iran also offer tax exemptions of 4 to 12 years. However, this exemption is based on a clause in the general mainland laws which grants investors certain tax holidays in deprived regions of the country.

Following is a selected list of the Iranian Special Economic Zones along with their contact information.

1-- BUSHEHR SPECIAL ECONOMIC ZONE

**Authority:** Bushehr Development Co.

**Bushehr Office:** 3rd Floor, Sharifpoor building, Dehghan Blvd., Bushehr, Iran.

**Tel:** +98 771 27796-27243

**Fax:** +98 771 27243

**Tehran Office:** No. 11, 2nd Dead end, Shahid Gomnaam, Tehran, Iran

**Website:** www.bsez.ir

**Email:** info@bsez.ir

2-- LORESTAN SPECIAL ECONOMIC ZONE

**Authority:** Industrial Towns Company, Golestan Street, Khorramabad, Iran.

**Tel:** +98 21 8872 9248-51

**Fax:** +98 21 8871 9938

**Tehran Office:** No. 6, 7th street, Khalid Eslamboli Ave., Tehran.

**Website:** www.lorestaniec.ir

**Email:** info@lorestaniec.ir

3-- SIRJAN SPECIAL ECONOMIC ZONE

**Authority:** Kerman Development Organization

**Tehran Office:** No. 413, Sattarkhan Ave., Tehran 14547 Iran.

**Tel:** +98 21 4420 7043-5

**Fax:** +98 21 4420 4893

**Local Office:** Sirjan, Iran

**Surface area:** 1700 ha

**Website:** www.sirgan.org

**Email:** info@sirjan.org

4-- SARAKHS SPECIAL ECONOMIC ZONE

**Authority:** Astan-e Ghods Razavi

**Head Office:** No. 32, Shahid Montazeri Blvd., Mash’had, Iran

**Tel:** +98 511 7615065-6

**Fax:** +98 511 7615067

**Tehran Office:** No.14, Khalid Eslamboli Ave., Tehran 15116 Iran.

**Tel:** +98 21 8872 5780-3

**Fax:** +98 21 8872 5786

**Surface area:** 5200 ha

**Website:** www.sarakhsfz.org

**Email:** info@sarakhsfz.org

5-- PAYAM SPECIAL ECONOMIC ZONE

**Authority:** Payam Aviation Services Co.

**Tehran Office:** No. 3, Toopchi Street, Shariati Ave., Tehran, Iran

**Tel:** 0098 21 8876 3045-9

**Fax:** 0098 21 8886 4900, 8811 3650

**Website:** www.payamaviation.ir

**Email:** infocomdir@payamaviation.ir

6-- SALAFCHEGAN SPECIAL ECONOMIC ZONE

**Authority:** Tossa’e va Omrani Qum Co.,

**Head Office:** Qum Goveror General’s Office, Qum 37185 Iran.

**Tel:** +98 251 713804

**Fax:** +98 251 713944

**Tehran Office:** No. 2, 8th Alley, Behrooz Street, Madar Square, Mirdamad Blvd., Tehran.

**Tel:** +98 21 2227 2934-6

**Fax:** +98 21 2225 9210

**Surface area:** 2000 ha

**Website:** www.qssez.com

**Email:** info@qssez.com

7--PERSIAN GULF MINES AND METALS SPECIAL ECONOMIC ZONE

**Authority:** National Iranian Steel Company (NISCO)

**Head Office:** No. 21, Assadabadi Street, Tehran 14336, Iran.

**Tel:** +98 21 8871 2537 , 8871 2734

**Fax:** +98 21 8872 4819

**Surface area:** 1200 ha

**Website:** www.pgsez.ir

**Email:** info@pgsez.ir

8-- PERSIAN GULF SHIP BUILDING SPECIAL ECONOMIC ZONE

**Authority:** Persian Gulf Shipbuilding & Offshore Industries Complex Co.

**Head Office:** No. 10, Mahestan Street, Shahrak-e-Ghods, Tehran 14685 Iran.

**P.O.Box:** 15815 3336

**Tel:** +98 21 8808 89900-15

**Fax:** +98 21 8808 5511

**Local Office:** km 37, Bandar Abbas Road.

**Tel:** +98 763222 3208-12

**Fax:** +98 763222 3220

**Website:** www.isoico.com

**Email:** info@isoico.com

9-- ARG-E-JADID SPECIAL ECONOMIC ZONE

**Authority:** Arg Development Co.,

**Tehran Office:** No. 296, Ostad Motahhari Ave., Tehran, 15886, Iran.

**Tel:** +98 21 8884 2910-11

**Fax:** +98 21 8886 2612

**Local Office:** Km. 12, Bam-Zahidan Road, Iran.

**Tel:** +98 346346 2291-5

**Fax:** +98 346346 2944

**Surface area:** 2000 ha

**Website:** www.arg-jadid.com

**Email:** info@arg-jadid.com

10-- PARS SPECIAL ECONOMIC ENERGY ZONE

**Authority: Pars Special Economic Energy Zone Company**

**Local Office:** Assaluye, Bushehr, Iran.

**Tel:** +98 772737 6330, 6335, 6337

**Fax:** +98 772737 6318

**Tehran Office:** No. 22, Koocheh Negar, Vanak Sq. Vali-e-Asr Ave. Tehran, Iran

**Tel:** +98 21 88661303

**Fax:** +98 21 88795997

**Surface area:** 10,000 ha.

**Website:** www.pseez.com

**Email:** info@pseez.com

11-- PETROCHEMICAL SPECIAL ECONOMIC ZONE

**Authority:** National Petrochemical Industries Company Organization

**Head Office:** 406, Motahhari Ave., Tehran 15958, Iran.

**Tel:** +98 21 8880 0851-4

**Fax:** +98 21 8880 0857

**Surface area:** 1,770 ha

**Website:** www.nipc.net

**Email:** petZone@nipc.com

12-- SHIRAZ ELECTRIC AND ELECTRONICS SPECIAL ECONOMIC ZONE

**Authority:** Fars Industries and Exports Promotion Co.

**Headquarters:** P. O. Box: 71345-1445 Shiraz, Iran.

**Tel:** +98 711 2273820-23

**Fax:** +98 711 2273826

**Website:** www.seez.ir

**Email:** seez@seez.ir

13-- YAZD TEXTILE INDUSTRIES SPECIAL ECONOMIC ZONE

**Authority:** Yazd Industrial Parks Co.

**Head Office:** No. 56, Sonbol Street, Aboozar Place, Safa’ieh Yazd, Iran.

**Tel:** +98 351 8244941-3

**Fax:** +98 351 8244940

**Website:** www.yazdiec.ir

**Email:** yazdiec@yazdiec.ir

14-- BANDAR AMIRABAD BEHSHAHR SPECIAL ECONOMIC ZONE

**Authority:** Ports and Marine Organization

**Local Office:** Ports and Marine General Directorate of Mazandaran Province, Iran.

**Tel:** +98 191 35917

**Fax:** +98 191 33030

**Surface area:** 60 ha

**Tehran Headquarters:** No. 1, Didar-e-Jonoobi Street, Haghani Highway, Jahan-e-Koodak Cross road, Vanak Square, Tehran.

**Tel:** +98 21 84931 (five digits)

**Managing Director in Charge of SEZs:**

**Tel:** +98 21 84931

**Fax:** +98 21 88651012

**Public Relations Manager:**

**Tel:** +98 21 88651012

**Fax:** +98 21 88651012

15-- BANDAR BUSHEHR SPECIAL ECONOMIC ZONE

**Authority:** Ports and Marine Organization

**Local Office:** Ports and Marine Organization General Directorate, Bushehr, Iran.

**Tel:** +98 77128051-5, 22051-7

**Fax:** +98 77124668

**Surface area:** 41 ha

**Tehran Headquarters:** No. 1, Didar-e-Jonoobi Street, Haghani Highway, Jahan-e-Koodak Cross road, Vanak Square, Tehran.

**Tel:** +98 21 84931 (five digits)

**Managing Director in Charge of SEZs:**

**Tel:** +98 21 84931

**Fax:** +98 21 88651012

**Website:** www.pso-bushehr.ir

**E-Mail:** info@pso-bushehr.com

16-- BANDAR SHAHID RAJA’EE SPECIAL ECONOMIC ZONE

**Authority:** Ports and Marine Organization

**Local Office:** Shahid Rajaee Harbor Complex, Bandar Abbas, Iran.

**Tel:** +98 761 564015-7-761 564035

**Fax:** +98 761 564063

**Surface area:** 20 sq. km, including 200 ha allotted to Qeshm Free Trade-Indusrial Zone

**Tehran Headquarters:** No. 1, Didar-e-Jonoobi Street, Haghani Highway, Jahan-e-Koodak Cross road, Vanak Square, Tehran.

**Tel:** +98 21 84931 (five digits)

**Managing Director in Charge of SEZs:**

**Tel:** +98 21 84931

**Fax:** +98 21 88651012

**Public Relations Manager:**

**Tel:** +98 21 88651013

**Fax:** +98 21 88651012

**Website:** www.shahidrajaeeport.ir

Table. 3.7.c.1 Legal Status of Economic Activities in Iran’s Free Trade-Industrial Zones and Special Economic Zones

| **Row** | **Description** | **Free Trade-Industrial Zones** | **Special Economic Zones** |
| --- | --- | --- | --- |
| 1 | Entry to the Zones | No entry visa needed to enter into the Zone. Visa shall be issued upon arrival | Subject to the law concerning alien’s entrance into the mainland. |
| 2 | Employment in the Zones | After issuance of work permit | After issuance of work permit |
| 3 | Applying for investment | Subject to the relevant regulations enforced in the Free Zone | Subject to the law enforced in the mainland. |
| 4 | Registration of a company in the Free Zone, intellectual ownership, trademarks, brands, patents, etc. | Application must be submitted to the Free Zone Authority. The Free Zone registers and issues the relevant documents. | Application must be submitted to the S.E.Z. Authority. The “State Title Deeds and Estates Organization” shall register the company based on the application made and supported by the S.E.Z. |
| 5 | The amount ratio (percentage) of foreign capital investment allowed in the Zone | Up to one hundred percent of foreign capital investment | Subject to the law and regulations on foreign capital investment enforced in the mainland. (Up to 49% of foreign capital investment is allowed) |
| 6 | Tax exemption | For a period of 30 years from start up day | Inland law and regulations, but some SEZs may grant some exemptions |
| 7 | Import of goods from abroad into the Zone to be sold in the Zone or re-exported abroad, but not re-imported to the mainland | Free from all kinds of taxes and duties, but local levies and fees are collected according to the services rendered by the executive departments | Free from all kinds of taxes and duties, but local levies and fees are collected according to the services rendered by the executive departments |
| 8 | Re-export abroad of imported goods to the Zone | Free from all kinds of taxes and duties | Free from all kinds of taxes and duties |
| 9 | Warehousing in Zone | Available having no grace period for clearance of goods | Available having no grace period for clearance of goods |
| 10 | Partial clearance of goods deposited in the customs warehouse | Goods and merchandises can be cleared out partially from the customs.  Warehouse receipts issued to the owner is transferable to the third parties | Goods and merchandises can be cleared out partially from the customs. Warehouse receipts issued to the owner is transferable to the third parties |
| 11 | Goods, semi-finished parts, raw materials from mainland to the Zone | If exported, subject to General Exports-Imports regulations in the mainland | If exported, subject to General Exports-Import regulations in the mainland |
| 12 | Import of goods from abroad into the Free Zone, then to the mainland | Subject to the General Exports-Imports regulations in the mainland | Subject to the General Exports-Imports regulations in the mainland |
| 13 | Goods made in the Zones, but permissible to the mainland | To the extent of value added caused by utilization of domestic production factors | To the extent of value added caused by utilization of domestic production factors |
| 14 | Unloading, loading, transit and trans-shipment of merchandises abroad | Free from all kinds of taxes and duties, only warehousing and local charges shall be collected | Free from all kinds of taxes and duties, only warehousing and local charges shall be collected |
| 15 | Utilization of land and natural reserves | Land is sold and/or leased to the Iranian nationals, but only leased to foreigners | Land is sold and/or leased to the Iranian nationals, but only leased to foreigners |
| 16 | Certificate of Origin | Issued by the Zone Authority for the goods to be re-exported partially, and/or for those percentage of the amount of goods made in the Zone | Issued by the S. E. Zone Authority for the goods to be re-exported partially, and/or for those percentage of the amount of goods made in the Zone |
| 17 | Retail selling | Allowed, except in the Arvand, Aras and Anzali Free Zone | Only to foreingers, if taken out abroad |
| 18 | Banking services | Offshore banking as well as domestic banking available in the Free Zones | Only domestic banking services operation by the state banks |
| 19 | Insurance activities | In accordance with the Free Zone law | In accordance with the mainland law |
| 20 | Protection of foreign capital investment | Accepted, protected and guaranteed | Accepted, protected and guaranteed |
| 21 | Guaranteeing of foreign investments against nationalization and confiscation | Guarantee shall be made against nationalization and confiscation | Subject to the “Law on the Attraction and Protection of Foreign Investments” |
| 22 | Social Security, social insurance | The mainland Social Security regulations enforced | The mainland Social Security regulations enforced |
| 23 | Labor law, labor and industrial relations | Subject to the regulations enforced in the Free Zones | Subject to the regulations enforced in the Free Zones (according to the new Law) |
| 24 | Employment of foreign work force | Up to the 10% of the work force employed in the enterprise. | Up to the 10% of the work force employed in the enterprise (according to  the new Law) |

d. How to Handle Businesses via the Free Trade Zones?

d1. Display Commitment

To do, successfully, business in Iran is synonymous with showing commitment. Such commitments may be displayed in a number of meaningful manners as:

-investing reasonably in business development;

-immediately setting up an active office in the Zone;

-dispatching a highly competent senior manager back and forth to Iran every few weeks to follow up developments.

However, such a strategy might be advisable for large and resource-rich companies which can afford to spend a great deal of time and money, even before signing the first contract.

A better and more feasible strategy for small and medium-sized firms is to show their commitment by registering a subsidiary in one of Iran’s Free Trade Zones. This gives the Iranian side a vivid sign that you are determined to do and develop business in Iran. Registering a subsidiary company in a Free Trade Zone bears the following advantages in comparison with performing a similar action in the mainland:

-fast and easy registration

-low registration costs

-low operation costs

-tax exemptions on assets and income

-permissibility of invoicing Iranian companies in rials

-no Letter of Credit (L/C) requirement for purchasers

d2. When Business Develops

At this stage of your activities in an Iranian Free Trade Zone, the following measures are recommendable:

-establishment of a representative office in Tehran with the objectives to provide your clients quality services and to penetrate the local market in a perpetual and systematic way. This measure, i. e. opening a representative office on the Iranian mainland by a foreign company registered in the Free Trade Zones, is sanctioned by the prevalent rules and regulations, as long as they are solely involved in liaison and marketing services. Such representative offices are excluded from taxation.

-setting up of a permanent warehouse in the relevant Free Trade Zone where your company is registered aimed at enabling you to keep a reliable amount of goods to hand that are in high demand. This is obvious that immediate availability of your supplies will provide you a distinct advantage over your potential rivals. It should be added that setting up a warehouse in a Free Trade Zone does not require large investments, whereas there are plenty of such facilities available for rent in these Zones.

d3. Assembly/Production

When your company has a high and steady demand for its products, then you might think about assembling or, actually, manufacturing your products in the Free Trade Zone.

The basic pre-requisites for successful performance at this stage are:

-application of simple production/assembly methods by utilizing up-to-date technologies;

-reasonable capital expenditure;

-existence of steady demand for your products in Iran and/or Iran’s neighboring countries;

Furthermore, producing and assembling in Iran’s Free Trade Zones has the following advantages which will provide the investors with a substantial price and competitive edge over competitors:

-cheap and abundant labour, energy and raw materials;

-exemption of the value-added-products from import duties when sold on the Iranian mainland;

-a 15-year tax holiday on assets and income;

-possibility of offering repair/maintenance services to your clients.

3.8 Tourism Industry

a. Overview

Iran has numerous competitive advantages in the global tourism industry. However, the fact is that due to a number of reasons, including absence of necessary infrastructures and required investments, the hidden potentials of these competitive advantages have not been sufficiently availed by the competent policy-makers. What the Iranian policy-makers primarily need, as a pre-requisite to develop a comprehensive national plan of action for the indigenous tourism industry, is formulation of a systemic approach toward understanding and, subsequently, narrowing the existing gap between tourism potential and market realities.

Iran with extremely charming natural and historical sites is rated by the World Tourism Organization (WTO) among the 10 most touristic countries in the world. Whether the visitor is interested in arts, culture, history, sports, nature or religion, Iran is definitely a favorite destination to perfectly satisfy his/her aspirations.

b. Iran’s Tourist Attractions

As mentioned earlier, Iran enjoys immense potential for tourism, satisfying various tastes.

Thanks to its diverse climates and topography, this country has many natural features of beauty as well as highly varied native birds and wildlife.

Iran, as mentioned in the first chapter, has four distinct seasons, i. e. very cold winters in most of the country to extremely hot and dry summer time.

The coldest part of the country, i. e. the northwest, enjoys winters with heavy snowfall and sub-freezing temperatures from December to February.

In contrast, on the Central Plateau and along the coastal zone rimming the Persian Gulf, the average daily temperature can sometimes even reach 50C (122F) during summer. But winters are normally mild in these regions of Iran. However, humidity can be extremely disturbing in the months of summer.

In other words, the extreme climatic diversity between the north and the south means that while the mother nature has given us the rare chance to ski down the numerous slopes in the northern suburbs of Tehran in late winter, we are, simultaneously, blessed with such a scarce opportunity to take a dive in the warm water of the Persian Gulf later the same day after a short flight from the capital city to one of the favorite destinations along or in the Persian Gulf, such as the Kish or Qeshm Island, Bandar Abbas or Bushehr.

The sports enthusiasts can also enjoy mountaineering, rock climbing, trekking, sailing and fishing. Chabahar, a coastal city on the Gulf of Oman, renowned for its Harra forests, is a popular spot for windsurfing.

Furthermore, Iran as a country with a multi-millennium history is blessed with numerous historical monuments, archaeological sites and ancient cities, in addition to museums rich with artifacts, ancient mosques and holy shrines, fire temples and mausoleums.

For those interested in the social fabric of Iran, there are superb bazaars around the country where pottery, ceramics, brass-work, wood-carvings, miniature paintings, carpets and rugs may not only be purchased, but may also be watched being made.

Meanwhile, religious travelers can pay homage and experience the spiritual surroundings of the holy cities of Mashhad and Qom as well as other religious sites throughout the country and then have a taste of the long menu of the local foods. It seems that Iran has something to offer to almost everyone’s liking!

c. Medicare Tourism

Besides “cultural tourism” which has been the focal point in most of the plans and programmes developed during the past 3 decades a new branch of activities in the local tourism industry has been flourishing, particularly since 20 years ago, that is, “Medicare Tourism”. The fact about this segment of the Iranian tourist industry is that this country has now evolved as an immensely popular destination for a huge number of patients seeking various sorts of treatment and medication from different countries in this region of the world. Thousands of highly competent consultants, surgeons and specialists practicing in various fields of the medical profession, existence of numerous hospitals and specialized clinics equipped with efficient staff, state-of-the art equipment and ranked with the highest medical standards, at international level, highly competitive costs for the most sensitive and sophisticated operations and other kinds of treatments, and last but not least, the existing cultural similarities and geographical proximity , to mention but a few, are among the precious assets supporting Iran’s “Medicare Tourism” industry. These are a number of determining factors persuading and motivating even the affluent citizens of the oil-rich Middle East as well as south and west Asia to increasingly give preference to Iran rather than visiting European and American medical centers-in their search to receive the best quality and the most cost-effective medical treatment. Hence, the current boom in the so-called “Medicare-Tourism” among the various branches of the Iranian tourism industry.

d. Current Conditions

Though Iran is rated among the 10 most touristic countries in the world, nonetheless, it ranks 68th in terms of tourism revenues worldwide. Therefore, taking into account the existing discrepancy between the current realities, on one hand, and the huge potential for further expansion and development of this industry, on the other hand, it is imperative to devise comprehensive plans to promote tourism in this country.

It is widely acknowledged that achieving the optimum level of development in the tourism industry and secure the maximum degree of visitors requires enormous amount of investments in the relevant software and hardware infrastructure. Enhancement in accommodation facilities, both in terms of room numbers and quality of services extended, improvement in all forms and modes of transportation to, from and inside Iran and further upgrade in the modes of payments and banking system, such as prevalent use of internationally accepted credit cards, should be given priority consideration in any and every plan developed to give further momentum to the Iranian tourist industry.

According to the estimations made by the World Travel and Tourism Council (WTTC) the total number of Iranians employed in tourism sector will hit 2.12m people within next ten years. WTTC’s report adds that around 8.5 percent of the total number of employment opportunities, at the global level, will soon be generated by the tourism sector. The total revenues of tourism industry in 2007 exceeded U.S. $ 31.7b.

However, on the basis of reports released by the relevant Iranian authorities, including the Cultural Heritage and Tourism Organization and the Ministry of Culture and Islamic Guidance, each tourist visiting Iran creates two to three jobs-a valuable opportunity which must be availed at the highest possible capacity. Furthermore, presently around 1.8 percent of national employment is generated in the tourism sector.

The number of hotels and motels are about 650 with almost 60,000 beds. The latter figure is intended to increase to 83,000 over the next three years.

According to the available statistics, Iran received 1.34m visitors in 2000-2001, the highest registered over the previous 30-year period. The highest number of visitors recorded before the 1979 Islamic Revolution had been just under 680,000 in 1977-a figure that was not exceeded til 20 years later. There has been perpetual growth in tourist numbers since 1991. However, the given figures include any person transiting through the country and staying at least one full day.

Table 3.8.d.1 Inbound Tourists, 1969-2000

|  |  |
| --- | --- |
| 1969 | 241,198 |
| 1977 | 678,157 |
| 1979 | 147,532 |
| 1987 | 68,426 |
| 1989 | 93,953 |
| 1990 | 161,954 |
| 1991 | 249,103 |
| 1992 | 275,672 |
| 1993 | 311,243 |
| 1994 | 360,658 |
| 1995 | 488,908 |
| 1996 | 573,449 |
| 1997 | 764,092 |
| 1998 | 1,007,598 |
| 1999 | 1,320,905 |
| 2000 | 1,341,762 |

Source: Cultural Heritage and Tourism Organization

Table 3.8.d.2 Inbound Tourists and Non-tourists, 1991-2007

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Total** | **Tourist** | **Non-tourist** |
| 1991-1992 ………………………. | 408526 | 249103 | 159423 |
| 1996-1997 ………………………. | 641651 | 573449 | 68202 |
| 2000-2001 ………………………. | 000 | 1341762 | 000 |
| 2001-2002 ………………………. | 000 | 1402160 | 000 |
| 2002-2003 ………………………. | 000 | 1584922 | 000 |
| 2003-2004 ………………………. | 000 | 1500439 | 000 |
| 2004-2005 ………………………. | 000 | 1659479 | 000 |
| 2005-2006 ………………………. | 000 | 1889000 | 000 |
| 2006-2007 ………………………. | 000 | 2735000 | 000 |

Source: Ministry of Culture and Islamic Guidance:

- Presidency, Cultural Heritage and Tourism Organization.

Table 3.8.d.3 Beds in Accommodation Facilities(1) By Class

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **Total** | **5-star** | **4-star** | **3-star** | **2-star** | **1-star** | **Not**  **classified** |
| 1986-1987 …..... | 33409 | 3924 | 5520 | 6116 | 10737 | 7112 | 0 |
| 1991-1992 ……. | 32355 | 4274 | 3050 | 4909 | 97708 | 9456 | 958 |
| 1996-1997 ……. | 48879 | 4841 | 3969 | 9259 | 13706 | 9883 | 7221 |
| 2001-2002(2) ….. | 57661 | 4489 | 7589 | 11872 | 17037 | 10456 | 6218 |
| 2002-2003(3) ….… | 56618 | 6457 | 7941 | 14848 | 16732 | 10374 | 266 |
| 2003-2004(3) ….… | 56618 | 6457 | 7941 | 14848 | 16732 | 10374 | 266 |
| 2004-2005(3) ….. | 57057 | 6932 | 7777 | 15114 | 16498 | 10736 | 0 |
| 2005-2006(3) ……. | 60310 | 7059 | 9581 | 15562 | 17541 | 10567 | 0 |

Source: Ministry of Culture and Islamic Guidance:

- Presidency of the Islamic Republic of Iran.

1.Including hotels, apartment hotels, lodging houses, inns, complexes, camps, waterside cottages and motels.

2.Including hotels and apartment hotels only.

3.Including hotels only.

e. Prospects

There is a firm and clear desire on behalf of the competent decision-makers to attract much more tourists and an equally clear recognition of the need to enhance the necessary facilities to ensure their comfort and peace of mind during their sojourn in Iran.

The current schemes being either fully developed, or under consideration, or in the process of implementation, within the framework of the Five Year Development Plan include:

 Construction or completion of over 50 Rest Zones on major highways of Iran, each equipped with a gas station, a car maintenance workshop, a restaurant, a general store, travel items, local artifacts and food. Some of these Zones will also offer motel accommodation and Iranian-style fast food. If necessary, a medical clinic will also be set up nearby for the use of travelers as well as the local community.

 Constant monitoring of the standards related to the rating of hotels, motels, guest houses and hotel apartments, along with providing incentives to owners to continue to meet the attained standards. Such incentives include lower electricity bills and income tax concessions.

 Renovation of ancient caravansaries, some of which date back to the pre-Islamic era of Iran and others originate from Safavid and Qajar times. In some locations, a 5-star hotel may also be constructed in keeping with the architectural authenticity of the surrounding environment.

 Further consolidating the capacities and capabilities of vocational hotel training schools with the assistance and cooperation of the internationally competent and renowned institutions, if necessary.

 Further promotion of hotel management skills by utilizing services of internationally competent managers and other professionals.

 Widespread publicity campaigns about Iran’s touristic attractions, at global level.

However, considering the abundant benefit which may be derived from a booming tourism industry, including its immense contribution to generating new employment opportunities, it is widely accepted by the authorities in Iran that substantial investments are needed to translate the envisaged policies into feasible actions. Moreover, considering government’s broad responsibilities in other economic sectors, on one side, and its current endemic policy in respect of privatization, in its broadest possible sense and domain, this is unlikely that needed investments to be readily available from the public funds. Thus, the privatization of tourism-related facilities and establishments is the focal point in every development plan concerning this industry; as is increased participation of both local and foreign private and corporate investors. Provision of up-to-date management, training, equipment and other required services, some of which are already being actively sought, are among the other chances, as well as urgent priorities, prompting serious involvement of the native and foreign entrepreneurs.

3.9 Environment & Sustainable Development

a. Effects of Changes in Population Structure on Environment

Iran experienced an extraordinary rise in its population size, subsequent to the 1979 Islamic Revolution. The rapid population growth over the past three decades has substantially changed the composition of urban and rural population and has lead to accelerated urbanization. Emergence of this unprecedented phenomenon in the contemporary history of Iran, besides giving way to the aggregation of demands for the introduction of a widespread educational and healthcare systems, and perhaps more importantly, creation of sufficient employment opportunities for the youth, also resulted in more serious challenges to environmental sustainability. The on-going development in the rural-urban trend of migrations which should basically be traced to uneven distribution of various kinds of services and opportunities throughout the country, has harmed the environment in a number of ways, specially in large cities. These adverse effects are vividly tangible in many areas of life such as air and water quality, noise levels, energy consumption, human settlements and the state of natural resources.

On the basis of the population and housing census carried out by the Statistical Centre of Iran (SCI) in 2000 the population size of the country with an approximate growth rate of 1.6 percent, was in excess of 62.8m. In the same year, the urban areas accommodating over 63 percent of the total population, housed 39.7m people. The latter figure should be taken into consideration against the official figure of 36.8m urban dwellers in 1996 which, in turn, had displayed a two-fold surge in Iran’s urban population since 1976-when the country’s population had been 15.85m in the urban areas. However, the population of the rural districts experiencing a somewhat slower rate of growth rose from 17.85m in 1976 to 23.24m in 1996. In the same span of time, the number of cities and towns had increased from 373 to 616.

Furthermore, in line with the conclusions of the census conducted by “SCI” in late 2007, 68.5 percent of Iran’s 70.473m total population dwelled in urban and 31.5 percent in rural areas. These figures would reveal 0.6 percentage point increase in urban and the same amount decrease in Iran’s rural population compared with the results of the previous census. According to the late 2007 census, the country’s active population reached 23.5m while Tehran Province by accommodating 13.4m people had the highest share of Iran’s total population, i. e., 19 percent.

Taking the aforementioned facts, including the rapid growth in the size and number of Iranian cities, into account, the necessary actions must be intensified to protect the urban environment, with the ultimate purpose to minimize air and water pollution, secure environmental standards in urban settlements and get rid of the deafening noise pollution. Further to posing a direct threat to the environment, rapid urbanization has also contributed to environmental pollution by speeding up industrialization.

Protecting the natural environment is not only an economic or even a moral duty of the individual and the society at large but also a legal obligation set by Article 50 of the Constitution of the Islamic Republic of Iran. The said Article stipulates: “It shall be considered a public duty in the Islamic Republic of Iran to protect the natural environment in which the present as well as future generations shall have developing social life. Therefore, economic activities or otherwise which cause pollution or irreparable damage to environment shall be prohibited”.

b. Effects of Industrialization on Environment

Following implementation of a number of industrialization plans, since late 50’s, industrial zones and districts appeared in the vicinity of large Iranian cities.

Qazvin, Rasht, Semnan and Saveh were among the pioneer industrial regions which accommodated as much as 600 industrial units. Moreover, 32 other industrial centers became operational in the decade following the end of the Iraqi imposed war in 1988 with a further 36 new centers which came into stream by 2005.

Many industrial units have been built in close proximity to one another and some industrial regions have hundreds of factories. The increasing volume of toxic industrial effluent continues to be a significant environmental concern. Though the official stance in recent years has been to move factories to the outskirt of cities, its execution is however encountered with many impediments, including industrialists’ reluctance to apply environmental standards to production. Liquid industrial effluent released into rivers, streams, reservoirs and the sea is one of the most important sources of pollution in Iran. Pollution from the oil industry, water treatment processes and port operations are also noticeable. Moreover, changes in agricultural land use in rural areas and increased consumption of herbicides, pesticides and other chemicals have contaminated farmland.

However, establishment of industrial parks as a means of reducing the negative impacts of industrialization before the 1979 Islamic Revolution did not bear much tangible result, since the entire project was abandoned after only a few of such parks had been constructed.

A more comprehensive approach to deal with environmental pollution caused by industrialization was adopted by the government in the 90’s. On the basis of this approach the management of environmental pollution is regarded seriously and energy and other natural resources are to be utilized more efficiently in order to have pollution minimized.

According to the existing plan new industrial estates are constructed only outside Iranian cities with the objective to enforce the policy confining industries to city outskirts and preventing the spread of industrial pollution to urban settlements. Moreover, new sets of laws and regulations are constantly made and/or updated requiring environmental impact assessment of every development project and imposing pollution control measures. For instance, industries are encouraged to obtain ISO 1400 certification and thanks to increasing global awareness about environmental issues and concerns the ISO qualification will hopefully become an imperative criterion and requirement for goods exported to international markets in coming years.

In Iran, the Environment Organization, headed by one of the Deputies to the President of the Islamic Republic, is responsible, inter alia, for identifying polluting industries, imposing measures to minimize the level of the pollution they may cause, and granting environmental approval to new industries. There is also an environmental unit within the framework of the Ministry of Industries and Mines charged with the task of providing environmental information to industries operating under the said Ministry’s supervision.

c. Water Pollution

Generally, Iran has an arid or semi-arid climate where most of the annual precipitation falls from October through April. In most parts of the country the average annual rainfall is around 250mm, i. e., one-third lower than the global average. The major exceptions are the mountainous regions in the north, the higher mountain valleys of the Zagros (in the west) and the Caspian coastal plain where precipitation averages at least 500mm per annum. Furthermore, rainfall exceeds 1,000mm, annually, in the western part of the Caspian, and is distributed relatively evenly throughout the year. However, it should be borne in mind that this contrasts with some basins of the Central Plateau of Iran that receives around 10mm or less of precipitation annually.

Rapid population growth, increased urbanization along side with industrial and agricultural development and expansion are major factors in increased demand for water and also the root causes of water pollution by household sewage and industrial effluent, particularly in areas without water collection and treatment systems.

Household sewage and industrial effluents, herbicides, pesticides and chemical fertilizers, and solid waste are considered to be the main sources of water pollution in Iran. Nevertheless, drinking water in this country is generally among the best in the Middle East, but there is a huge waste of this vital resource, partly due to its cheap price and its use for purposes other than drinking.

However, a number of measures, at the national level, have already been adopted to improve water resources management and reduce water pollution, particularly of fresh water. Moreover, the Iranian National Disaster Task Force had developed a set of appropriate plans to control waste water. To this effect, over thirty sewage treatment plants are implementing schemes to remove chemical pollutants during the treatment process. Meanwhile, efforts are underway to initiate more fundamental programmes within the framework of a national plan of action. **d. Soil Erosion & Degradation**

Major factors threatening the soil and contributing to its erosion and degradation are scant rainfall, a reduction in the contents of organic matter, increased salinity and alkalinity, changes in land use and increasing volumes of industrial pollutants. Soil erosion in Iran is equal to 20 tones per hectare, up from 10 tones per hectare only 20 years ago.

Inappropriate agricultural management is mainly responsible for the reduction of the soil’s organic content. This has also resulted in further decline in the quality and sustainability of the soil. Industrial and household sewage speed up degradation by adding heavy elements such as cadmium, lead and zinc to the soil.

Taking the about facts into consideration, efforts are under way to devise a comprehensive plan for soil preservation. Based on the principles of this potential master plan, feasible measures will be adopted to address environmentally unadvisable mining practices and excessive use of herbicides, pesticides and chemical fertilizers.

e. Impacts of Energy Consumption on Air & Noise Pollution

Air pollution, considered as the causal factor in spreading respiratory diseases, is a serious threat to human health. Combustion of fossil fuels for domestic, industrial, agricultural and other uses are among major source of air pollution in Iran. Cement factories, steel plants, chemical industries, brick kilns, non-ferrous metal foundries and asphalt production facilities are regarded to be the leading industrial sources of air pollution. Energy consumption by vehicles, the household, commercial and industrial sectors is particularly to be blamed for increasing levels of carbon monoxide, carbon dioxide, sulphur, sulphur dioxide, nitric oxides, hydrocarbons and halogens in this country. Air pollution, specially from motor vehicles, in Tehran and some other large cities, prevalently exceeds the standards determined by the World Health Organization (WHO), particularly for pollutants such as sulphur dioxide, nitric oxides and total suspended materials.

As a consequence of the present state of air pollution in Tehran and some other big cities in Iran, particular measures have been adopted and implemented to control air quality. Setting up permanent stations by the Organization of Environment to monitor, constantly, air quality and establishment of an air quality control company by the Ministry of Petroleum are among the mentioned executed measures by the government. A further related measure is imposition of a set of rules on the local auto-manufacturing industry to comply with the environmental standards on emissions.

Furthermore, in response to the current situation concerning the increasing air pollution in the Iranian major cities; and also in line with the government’s declared policy to gradually eliminate the huge amount of subsidies paid, annually, for certain commodities, the government announced, on January 24, 2007, that it would be undertaking a 5-year rationing plan for the domestic petrol consumption, aimed at freeing up prices in 2011. The government, while committing itself to make the necessary preparations, such as further expansion of public transportation networks before the set deadline, decided to implement a two-tier payment system for the purchase of gasoline through the use of smart cards.

Besides the aforementioned plans, further measures are underway to improve the air pollution problem, including increasing the share of public transport in the transportation system, in parallel with decreasing the use of private vehicles in cities, converting public and private vehicles to propane and phasing out old vehicles, to mention but a few.

On the other side, increasing prevalence of such phenomena as urban population growth, escalating traffic and industrial activities, have all contributed to emergence and constant intensification of a serious source of psychological distress for the inhabitants of large cities throughout the world, namely noise pollution.

Identifying the sources of noise and air pollution and devising a plan of action, at the national scale, to deal effectively with them would certainly lead to a more desirable and better quality of life, especially in the urban areas of the country. It should be noted that the pertinent measures needed to reduce air pollution are closely intertwined with the policies and actions aimed at restraining noise pollution. In other words, success in one of the afore-said domains would secure higher achievements in the other.

However, development and implementation of elaborate and perpetual awareness and educational plans and progrmmes and introduction of effective and binding laws and regulations appear to be on top of the agenda in the countries where tangible results have been ensured in the efforts targeted at reducing these two types of pollution.

CHAPTER 4

Set up a Business

in Iran

Set up a Business in Iran

a. Business Frameworks in the Islamic Republic of Iran

Commercial companies being endowed with legal entity status by the prevalent law in Iran are required to be registered according to the Companies Registration Act. Moreover, a company needs a set of Articles of Association formulating the applicable regulations with regard to its administration within the boundaries of law.

a.1 Procedure of Registration

As noted above, all companies operating in the Islamic Republic of Iran, must be registered with a competent authority named the Registrar of Companies which is a subsidiary to the Organization of Registration of Deeds and Real Estates. The said Organization, in turn, is under the supervision of the Judiciary Power.

The provisions of the Companies Registration Act and its implementing regulations set the due procedures for registration of companies in Iran.

Notice of registration of a company and certain decisions made or change occurred in the company should be published in the Official Gazette as well as a widely circulated newspaper. The capital of the company is the basis for the determination of the due registration fee.

Furthermore, all companies being created and registered in the Islamic Republic of Iran and the companies whose main offices are located in this country are recognized as Iranian companies. This general attribution is deemed irrespective of the nationality of shareholders, stockholders or partners.

a.2 Registration of Foreign Companies

Foreign companies conducting business operations and activities throughout the Islamic Republic of Iran by their branches and representative offices must be registered. To this effect, a foreign company which seeks registration in Iran, must be originally a legal entity in its respective country.

Moreover, the foreign company must set up a main representation office, besides to the several other independent representations to which it is legally entitled, in Iran. This is considered to be one of the initial steps in getting the registration of a company in this country.

In the meantime, any potential alteration in the name, functions, nationality, capital, address of the main or other representative offices of the company must be registered.

a.3 Objectives Pursued by Registration

In pursuit of any of the following aims and purposes, foreign companies are entitled to register in Iran:

-undertaking preparatory steps and initiatives, including conducting feasibility studies, for their eventual investments in Iran;

-execution of accords reached with the Iranian citizens;

-involvement in activities leading to increase in the non-oil exports of Iran;

-extension of after-sale services;

-engagement in such business activities as provision of services in the fields of banking, insurance, marketing and transport;

-entering joint-venture schemes with Iranian enterprises in third countries;

-provision of technical services and technological know-how.

a.4 Types of Companies in Iran

In accordance with the due provisions of the Iranian Commercial Code, companies may be formed within the following legal frameworks:

I. Joint-Stock Company

II. Limited Liability Company

III. Proportionate Company

IV. Mixed Joint-stock Company

V. Mixed Non-joint-stock Company

VI. General Partnership

VII. Cooperatives

However, the most prevalent types of companies in Iran are the Joint-stock Company and the Limited Liability Company.

a.4.I Joint-Stock Company

By definition, a Joint-Stock Company is a company whose capital is divided into shares and the liability of whose shareholders is restricted to the payment of the value of their respective shares. The minimum number of shareholders in this type of company is three.

There are two categories of Joint-Stock Companies; i. e., Public Joint-Stock Companies and Private Joint-Stock Companies. While a portion of the shares, not more than 80 percent, are offered to the general public in the former type, all shares are subscribed to by the founding shareholders in the latter.

Furthermore, the minimum share capital of a Public Joint-Stock Company is five million rials and a Private Joint-Stock Company one million Rials. Shares, in this type of companies, which are certified in the names of shareholders, may be registered or bearer and may be ordinary or preferred. Debentures may be issued by a Public Joint-Stock Company.

However, decisions regarding revisions in the Articles of Association, the share capital or dissolution of the company are within the jurisdiction of Extraordinary General Meetings of shareholders while any other decision is within the competence of ordinary General Meetings of the shareholders.

In the meantime, the quorum at Extraordinary General Meetings is realized upon presence of more than half, at the first call, and more than one-third of the voting shares, at the second call.

At such meetings, resolutions are adopted by two-thirds of the votes present or represented. On the other hand, at the ordinary General Meetings quorum is ensured by presence of more than half of the voting shares, at the first call, and any number of participating shareholders, at the second call.

Resolutions, at this category of meetings, are passed by more than half of the votes present or represented and election of the Board Members will be carried out through cumulative voting.

Moreover, the law provides that Joint-Stock Companies are required to have one or more inspectors and alternate inspectors who are elected for a one-year term. The number of Members of the Board of Directors in Joint-Stock Companies, who are elected from among shareholders for a term of two years, at most, must be no less than five.

Finally, Joint-Stock Companies may be dissolved under such circumstances as follows:

-bankruptcy;

-if the Extraordinary General Meeting of the shareholders decides so;

-when the envisaged objective(s) of the company is (are) achieved or become obsolete;

-when the considered duration of the company is expired and is not extended;

-by final verdict of a competent court.

a.4.II Limited Liability Company

This is a type of company formed by, at least, two or more shareholders. The capital in Limited Liability Company is not divided into shares and each shareholder holds a certain portion of it. Moreover, the liability of each shareholder is limited to payment of the relevant portion of the capital held by him/her.

Should the words “limited liability” not added to the official name of the company, it will be viewed and dealt with as a General Partnership vis-à-vis third parties. In case, the name of one of the stockholders is included in the name of company, he/she will be considered as a general partner with unlimited liability vis-à-vis third parties.

In a Limited Liability Company no evidence of shareholding may be issued in the form of negotiable commercial instrument, whether registered or bearer. Stock may be transferred only with the consent of the majority in number of the shareholders who hold no less than 75 percent of the capital of the company. This type of companies are administered by one or more directors elected from among the shareholders or from outside for limited or unlimited terms. They may be salaried or non-salaried.

The due decisions are made by the votes of holders of, at least, fifty percent of capital, at the first call, and the majority in number of shareholders, at the second call, unless the Articles of Association provide otherwise.

In the meantime, the appropriate conditions for dissolution of a Limited Liability Company are:

-expiry of the determined duration of the company;

-achievement of the set objectives, or failure in fulfilling them;

-if holders of more than half of the company’s capital decide so;

-in the event of company’s bankruptcy;

-by the verdict of a competent court;

-in case of the death of a shareholder, should this condition is provided by the company’s Articles of Association.

a.4.III Proportionate Company

This is a type of company in which each of the partners is liable for the arrears of the company in proportionate to his/her share in the capital of the company.

a.4.IV Mixed Joint-Stock Company

A Mixed Joint-Stock Company is a company in which there are a number of shareholders and one or more general partners with unlimited liability.

a.4.V Mixed Non-Joint-Stock Company

This is a type of company in which there are one or more general partners with unlimited liability and one or more partners with limited liability.

a.4.VI General Partnership

This is a kind of company in which each partner is liable without limitation vis-à-vis third parties for the arrears of the company, in case the assets of the company are not sufficient to cover its debts.

a.4.VII Cooperative

Cooperatives belong to a specific category of companies which are administered by a special set of laws and regulations.

b. Business Procedures and Legal Frameworks

The legal forms and frameworks which may be utilized by a foreign company to do business in the Islamic Republic of Iran, include:

b.I conclusion of licensing contracts

b.II conclusion of franchising contracts

b.III commercial representation (Agency)

b.IV joint ventures

b.V establishment of branch offices and representatives

b.VI conclusion of exclusive distribution contracts

b.VII representation in Free Trade Zones

Each of the above-mentioned legal forms of conducting business activities in Iran has its specificities, advantages and requirements as follows.

b.I Conclusion of Licensing Contracts

The subject of licensing contract being closely related to Intellectual Property Rights, constitute a process in which a person with an interest in a property granting another person a right that is less than the grantor’s full rights regarding that property. Patents and other Industrial Property Rights are the prevalent legal instruments to protect such intangible properties.

Licensing contracts registered with Notary Publics must be drafted and formulated in a meticulous manner that besides clearly defining the rights and obligations of the parties, prevent susceptible grounds for potential misunderstandings and disputes. Selecting unambiguous definitions for key terms, such as know-how, base technology, licensed product, patents, concerned parties, territory, the types of proprietary interests and gross revenue, is a pre-requisite for drafting a comprehensive contract on licensing.

Considering the nature of protection(s) a licensed property is entitled to gain from a patent or copyright, underlining exact and clear definitions about each and every of such rights would safeguard the legitimate rights conferred on the licensee.

Moreover, “sub-licenses” and “exclusivity” are among the other important issues which should be taken note while formulating a licensing contract.

Last but not the least, it is advisable to put a special clause granting the parties to a licensing contract the right to safely withdraw from a concluded contract in cases of total failure in the concerned business or project.

b.II Conclusion of Franchising Contracts

Iran is among the countries trying their best to come to terms with the concept of franchising.

This effort is aimed at removing uncertainties around franchising contracts which are duely caused by the absence of specific laws regarding this matter.

However, the Intellectual Property Rights conferred by the franchisor to the franchisee to conduct business under the former’s trademarks or trade names is the essence of this bilateral relationship from a legal point of view.

To secure full and proper protection for the rights and avoid the possibility of legal complexities in the future, the two important tasks mentioned hereunder should be undertaken before and after the signing of a franchising contract:

I.the franchisor must register the relevant trademarks or tradenames in Iran, prior to inking a contfact with an Iranian franchisee;

II.to ensure that the contract is registered with a Notary Public, after being concluded by the parties.

In the meantime, it should be borne in mind that any license granted regarding a registered trademark has to be recorded with the Industrial Property Registration Bureau. Furthermore, the said Bureau is also in charge of registering the license contracts authenticated by an Iranian embassy or consulate abroad, e. g. the country of origin of the franchisor.

b.III. Commercial Representation (Agency)

By definition, “agency” is a legal relationship between a principal and an agent on the basis of which the latter receives authority from the former to represent him/her or act on his/her behalf in connection with third parties.

“Agency”, according to Article 656 of the Iranian Civil Code is construed as a contract on the basis of which one of the parties appoints another party as his/her representative, or attorney, for the accomplishment of some matter. Moreover, Article 358 of the Commercial Code of the Islamic Republic of Iran vividly underlines the inseparable relationship between the fundamental provisions of the Civil Code concerning “agency” and specific regulations provided by the Commercial Code.

Three types of commercial representation are determined in the Iranian Commercial Code, i. e. Brokerage, Commission Agency and Commercial Subrogation.

A ‘commission agent’ conducts transactions in his/her own name, but for the account of his/her principal and receives a commission for his/her work. The ‘commission agent’ is entitled to assume any obligation or liability to enter into agreements, to give a guarantee, or to make any warranty or representation on behalf of the principal. The Iranian Commercial Code includes detailed provisions concerning the relationship between the principal and his/her agent.

However, it should be taken into account that its is essential to ensure that nothing contained in Commercial Agency contracts contradicts the provisions of Iranian laws and regulations.

b.IV. Joint Ventures

By legal definition, ‘joint venture’ is shared commitment made by two or more parties for specific industrial, commercial or financial goals.

Generally, there are two legal forms for creating a ‘joint venture’:

i.contractual ventures

ii.corporate ventures

In view of more prevalent use of the second form of ‘joint venture’, i. e. ‘corporate venture’, by foreign enterprises interested in creating a joint structure for the objective of coordinating their commercial activities in the Islamic Republic of Iran, it is deemed appropriate to provide some basic information about this legal form within the boundaries of the current laws and regulations in force.

Looking at the background, it seems that the mostly preferred by the parties to a corporate joint venture contract are Private Limited Liability Company or a Private Joint-Stock Company. The basic justifications for adopting the two aforementioned legal vehicles are as follows.

i.In a Limited Liability or a Joint-stock Company, each of the partners is liable for the arrears and obligations of the company only up to the extent of his/her own share of the capital.

ii.In line with the provision of Article 105 of the Iranian Commercial Code, managers of a Limited Liability Company have all the requisite rights of representation and administration of the company. Moreover, any provision on restricting their authority against third parties, which has not be explicitly stated in the Articles of Association shall be considered null and void. However, excluding issues, decisions and actions for which authority is exceptionally vested in General Assemblies, the same rule applies to Joint-Stock Companies.

iii.Besides the fact the capital is divided into shares in a Joint-Stock Company, in both types of the above-mentioned companies each partner’s voting power is proportionate to his/her share in the company’s capital.

However, a comparative study of the provisions of the Joint-stock Companies Act and those of the Commercial Code would reveal the fact that the former law is more elaborate, comprehensive and up-to-date than the latter one. This perhaps explains more plausibility of formation of Joint-Stock Companies to implement ‘joint venture’ contracts.

Furthermore, in line with new regulations adopted by the Iranian Government, a foreign partner is entitled to hold up to 80 percent of the capital of a joint venture company. This share may be up to 100 percent in some companies, such as banks and insurance companies, in the Iranian Free Trade Zones.

b.V. Establishment of Branch Offices and Representatives

In line with the provisions of the Law Permitting the Registration of Branch or Representative Offices of Foreign Companies, approved on November 12th 1997, establishment of a branch or representative office is one of the most feasible ways for foreign companies to conduct their commercial and investment transactions in Iran. The list of business activities which branch offices and representatives of foreign companies are entitled to undertake in the Islamic Republic of Iran, according to the provisions of Article 1 of the above-mentioned Law, covers quite an elaborate range. It includes: after-sale services, executive works, investment projects evaluations, scrutiny on technical performance of projects in third countries, technical and engineering services, technology and know-how transfer, promotion of Iranian non-oil exports and any activity authorized by the government in the fields of transportation, insurance, banking, marketing and goods inspection.

Moreover, foreign companies applying for registration of a branch office in Iran are required to submit the following documents and information, along with a written application to the Office for Registration of Companies.

-company’s Articles of Association, Establishment Notice and latest changes in the Articles of Association, if any;

-the latest audited financial statement of the company;

-a detailed report on the activities, type, authorities, reasons for registration and location of the intended branch, number of needed personnel (Iranians and foreign nationals) and the manner in which the required capital will be provided.

Meanwhile, the documents and information which should be presented to the Registration Office for the purpose of getting the representative office of a foreign company registered in Iran are as follows:

-a certified copy of the representation contract;

-identification documents of the applicant;

-a report on the activities of the applying company along with justifications to open a representative office in Iran;

-a copy of the latest audited financial statement;

-the name of the relevant ministry.

Branch offices of foreign firms in Iran are required to submit the annual report of their head office, including a financial statement audited by independent auditors in their respective countries to the competent Iranian authorities. Furthermore, the branch and representative offices of foreign companies should be administered by one or more individuals who reside in Iran.

b.VI. Conclusion of Exclusive Distribution Contracts

Exclusive Distribution Contracts imply that foreign party (as a seller) grants the Iranian party (as a buyer) sole commercial rights, within the territory of the Islamic Republic of Iran, with regard to specific kind(s) of good(s). Moreover, the Iranian party (the buyer) may intend to choose the foreign party (the seller) as the sole source of supply for buying specific kind(s) of good(s) imported from the foreign country.

The concluded contract on Exclusive Distribution, containing the rights and obligations of the parties, should be filed by the Iranian party with the competent Iranian authority.

Moreover, issues concerning the governing law and the competent jurisdiction are of prime importance in such contracts.

In the meantime, with regard to the issue of the settlement of disputes arising from the implementation of Sole Distribution Contracts, which normally gives preference to arbitration rather than litigation in the courts, it should be mentioned that the International Commercial Arbitration Act (ICAA), approved by the Islamic Consultative Assembly (the Parliament) on September 17, 1997 and endorsed by the Guardian Council on October 1st of the same year, entered into force on November 05, 1997.

The adopted law pursues the model law provided by the United Nations Commission on International Trade Law (UNCITRAL).

b.VII. Representation in Free Trade Zones

Representation of a foreign company in one of the Iranian Free Trade Zones is another prescribed legal vehicle for performing its business activities in this country. For the information regarding the conditions and advantages of utilizing this way of doing business in Iran please refer to Chapter 3 of this book.

CHAPTER 5

Financial Rules &

Regulations

a. Iranian Accounting Standards

a.1 Overview

Adoption and implementation of the Iranian Commercial Code in early 20th century is regarded by the professionals to be a turning point in the history of accounting in this country, whereas it provided for the very first time for the election of an “inspector” by general meetings of every companies’ shareholders.

The need for deployment of professional accountants was further felt, subsequent to approval of New Taxation Act in 1949.

Following introduction of another Taxation Act in 1956 which acknowledged the position, and required the establishment of a professional association of Official Accountants, efforts were further intensified by the practitioners of this profession to ensure a solid legal identity for their practice. The institution embodying the Official Accountants of Iran came into existence after the introduction of Direct Taxation Act, in 1967.

In addition to the aforementioned developments taking place in the domain of law, a number of practical initiatives were also taken by the competent experts to secure and further promote the professional status of Official Accountants in Iran. Formation of the Institute of Accountants of Iran in 1964 was an example of such practical measures. Moreover, the strong position extended by the Direct Taxation Act of 1967 to the Official Accountants, on one side, and obligation of public joint-stock companies to elect their legal inspectors (auditors) from the members of the Institute of Official Accountants (which was set up in 1971), on the other side, ultimately culminated in opening of a new era in the profession of accountancy in this country. Meanwhile, the initiative of a group of the local Chartered Accountants in forming the Institute of Expert Accountants of Iran, in 1973, which despite dissolution of the Institute of Official Accountants in 1981, continued its professional life after the advent of the 1979 Islamic Revolution, is another significant development in the gradual evolution of this profession worthmentioning here.

The Institute of Expert Accountants of Iran which has invested a great deal of efforts in promoting the interests of its members while monitoring their professional performances as well as setting and enforcing the ethical standards of this profession from its inception, was acceded to the International Federation of Accountancy Associations in 1998.

However, following the adoption and execution of the Nationalization Act in 1979 and expansion of government’s ownership and management of industries and companies, the Nationalized Industries and Plan and Budget Organization Audit Firm (NIAPBOAF) was established in 1980. The main objective pursued by the establishment of the latter entity was to provide auditing consultancy services to the public-sector companies and enterprises, which in terms of number soon grew to 1,500 units. This organization is the largest audit firm in Iran with the State Audit Organization ranking second.

The two state-run audit firms, together with a couple of audit firms which were somehow linked with the government were finally merged, in 1989, and shaped the present State Audit Organization, which is by far the largest audit firm in the Middle East and South West Asia regions.

In the meantime, after securing endorsement of the State Audit Organization, the Tehran Stock Exchange (TSE) has designated a number of private audit firms that may be hired as auditors of publicly quoted companies.

At last, the widespread consensus among the practitioners of this profession, both in the public and private sector, over the imperative to have a regulatory body to be entrusted with such tasks as regulation of the profession and adoption of mandatory accounting and auditing norms and standards, paved the way for the introduction of a bill on establishing the Society of Official Accountants in 1996. This Society functions under the auspices of the Ministry of Economic Affairs and Finance.

a.2 Accounting & Auditing Standards and Criteria

The professional standards and criteria set and promoted by the State Auditing Organization of Iran are compatible with the International Ethical, Accounting and Auditing Standards.

All accountants and auditors are obliged to comply with the issued standards while arranging and verifying the books of accounts which are the basis of tax returns. Furthermore, the determined professional standards by the State Auditing Organization are fully backed by the Ministry of Economic Affairs and Finance of the Islamic Republic of Iran.

a.3 Book-Keeping Norms

According to the prevalent regulations in Iran, the official books which are sealed by the Ministry of Justice must be kept in the national language, i. e. Farsi. Taxpayers must comply with the book-keeping norms and standards set by the Commercial Code.

Though the law recognizes only the Ledger and the Journal as the two principal books of account, nonetheless, other books of original entry may be sealed too, such as the copy book for correspondence and an assets ledger.

In line with the relevant regulations, the Journal must be written in chronological order, on a daily basis, and the Ledger a short while later.

Concerning the practical book-keeping methods used by foreign companies operating in Iran, they usually keep their more frequent and sophisticated financial records in English and use the official Farsi books to record entries in the minimum number of control accounts. Moreover, in view of the ensuring the constant increase in reliability and transparency in the advanced data-processing systems, the Ministry of Economic Affairs and Finance permits taxpayers to use such acceptable systems to collect data for periodic entry in the above-mentioned official books.

a.4 Audit Firms

The private sector, though varying in terms of the number of their employees, have an impressive presence in the profession of auditing as well as accounting in Iran. The list of active audit firms, presently over 1,000 firms, mostly with highly competent staff, is available with the Institute of Expert Accountants of Iran.

Moreover, most internationally renowned audit firms, including the “Big Five” are represented in Iran, within the framework of correspondent or associate firms.

b. Taxation Rules & Regulations

b.1 Overview

The Direct Taxation Act, ratified in 1967, has been the subject to many changes and amendments since then. The intention behind these alterations in the said Act has been to ensure optimum possible uniformity between the taxation rates, allowances and thresholds used and practiced in this country with those applied in most parts of the global community, particularly the developed countries, while taking into consideration the effects of the annual inflation rates. The Direct Taxation Act of Iran covers taxes on property, agriculture, salaries, professions and corporations, incidental and inheritance taxes, exemptions, depreciation rates and the relevant bases, the duties of taxpayers and inspectors, appeal procedures and the hierarchy of the taxation system.

According to Article 1 of the aforementioned Act, the following persons shall be subject to taxation:

-all the owners, whether real or legal persons, with regard to their personal and real properties located in Iran;

-every Iranian real person residing in Iran, on all his incomes earned in Iran or abroad;

-every Iranian real person residing abroad, on all his incomes earned in Iran;

-every Iranian juridical person with respect to all its incomes earned in Iran or abroad; and

-every non-Iranian person (whether natural or juridical) with regard to his/its incomes earned in Iran, as well as in respect of the incomes derived by such person from Iranian sources for granting of licenses and other rights, or for the provision of training and technical assistance and also for the transfer of cinematographic films (whether the latter income is received as the price, or the fee for screening of the film, or under any other titles).

On the basis of the Article 2 of the said Act, the following persons shall not be subject to taxes provided in the Act:

-government ministries and institutions;

-institutions whose budgets are financed by the government; and

-municipalities.

Moreover, Article 81 of the above-mentioned Act provides that “the income derived from all activities in the field of agriculture, animal rearing, stockbreeding, fish farming, bee-keeping, poultry husbandry, hunting and fishing, sericulture, revival of pastures and forests, horticulture of any type and palm trees, is exempt from payment of taxes”.

Taxes payable on business operations in or with Iran depend both on the type of operation and the nature of the entities carrying them out. Article 93 of the Direct Taxation Act states that: “the income derived in Iran by individuals through engagement in businesses or under any other titles not specified in other chapters of the present Act, less the exemptions provided herein, shall be subject to the tax on business income”.

And Article 94 of the Act provides: “the taxable income of taxpayers who are subject to the present chapter consists of aggregate sale of goods and services plus their other incomes that are not recognized as taxable under the other chapters of this Act, less the relevant expenses and depreciation in conformity with the provisions of the chapter pertaining to the acceptable expenses and depreciation”.

b.2 Allowable Expenses

As a general principle, any expenditure incurred, wholly and exclusively, in connection with the operation being carried out is allowable for tax purposes, provided it is fully supported by documentation. However, there are limits and restrictions on certain types of expenses.

Article 147 of the referred Act states: “acceptable expenses for assessment of taxable income, as specified under provisions of the present Act, shall consist of expenditures that are within the prescribed limits and are supported (to the extent required by the custom and usage) by documentary evidence and are exclusively connected with the earning of the enterprise’s income during the relevant fiscal term. If an expenditure is not envisaged under this Act or it is beyond the limits stipulated herein, but the payment thereof is effected by virtue of a law or a decree of the Council of Ministers, then it shall be acceptable”.

b.3 Depreciation

There is a table of rates set by the Ministry of Economic Affairs and Finance as the basis for depreciation of the assets which are owned and deployed in business operations, as they are considered as allowable in computing taxable income.

In accordance with the provisions of Article 149 of the Direct Taxation Law, computation of depreciation of assets and establishment and capital expenses for the purpose of assessing the taxable income shall be made according to the following rules:

-any part of fixed assets whose value is subject to a decrease arising from utilization, lapse of time or other causes, regardless of price changes;

-the basis of depreciation shall be the cost of the assets;

-depreciation shall be computed from the date when the depreciable asset is put, in a usable condition, at the disposal of the enterprise;

-establishment costs such as the expenses of registration of the enterprise, consultation fees and the like, as well as the expenses made in excess of the income related to the pre-exploitation and test exploitation phases may be depreciated in equal amounts up to a maximum duration of 10 years from the date of exploitation, except for the cases to be determined under the depreciation schedule referred to in the Article 151 of the present Act;

-if a depreciable asset is sold or machineries become unusable and, as a result, a loss is sustained by the enterprise, then the loss, equal to that part of value of the asset that has been depreciated minus the sale proceeds (if the asset is sold) shall in total be taken into account in computation of the profit and loss account of the same year.

Moreover, the depreciation methods set by Article 150 of the said Act are as follows:

a. in cases where depreciation rates are determined under the depreciation schedule of the Article 151 of the present Act, the rates will be fixed and, subsequently, applied in each year to the remainder of the cost of the asset after deduction of the depreciation computed for it in previous year; and

b. where a term is determined under the depreciation schedule of the Article 151 hereof, the depreciation of the cost of the property will be computed in equal yearly amounts over the prescribed term.

b.4 Exemptions

According to the provisions of the aforementioned Act, there are highly impressive exemptions available for authorized operations in Iran. Following are some instances of such exemptions.

In adherence to the contents of Article 132 of the Direct Taxation Act, 80 percent of the income from manufacturing and mining activities which is derived and declared by manufacturing and mining enterprises of cooperative or private sector for whom exploitation licenses are issued, or with whom extraction and sale contracts are concluded, from the beginning of the Iranian calendar year 1381 (2002) onwards by relevant ministries, shall be exempt from the tax set forth in the Article 105 hereof for a term of 4 years beginning from the date of exploitation or extraction. As regards to less developed regions, the exemption shall apply to 100 percent of the income for a term of 10 years.

Moreover, Note 2 of the latter Article stipulates that the exemption provided under this Article shall not apply to the income of manufacturing and mining units established within a 120km radius from the centre of Tehran or within 50km radius from the center of Isfahan and also within a 30km radius from the administrative centers of provinces and cities with a population of more than 300,000, according to the latest census, except for industrial townships established within the same 30km radius from the latter province centers and cities.

Note 3 of Article 132 of the Act further stipulates that all enterprises for internal and international tourism that hold exploitation permit from the Ministry of Culture and Islamic Guidance shall enjoy an annual exemption with regard to 50 percent of their applicable taxes.

Moreover, Article 133 of the Act provides that 100 percent of the income derived by rural, tribal, agricultural, fishermen, workers, employees, students and pupils, cooperative societies and their unions shall be exempt from taxation.

On the basis of the provisions of Article 134, the income derived by non-profit elementary, junior or secondary, technical or vocational schools, and by non-profit higher education institutions (including universities), the institutions engaged in taking care of mental and physical invalids as well as the institutions and clubs specializing in physical education, shall be exempt from taxation.

Article 136 of the Act asserts that the money paid by the insurance firms on account of life insurance, which the beneficiaries receive under insurance policies, shall be exempt from taxation.

Article 137 of the Direct Taxation Act recognizes the certified treatment expenditures of a taxpayer for his own treatment or the treatment of his spouse, children, parents, brothers and sisters, who are dependent on him, as deductible from his taxable income.

Meanwhile, in accordance with the provisions of Article 138 of the said Act, any part of the declared profit of private and cooperative companies that is used in the same year for development, reconstruction, renovation or completion of existing industrial and mining units of those companies, or for setting up of new industrial or mining units, shall be exempt from 50 percent of the applicable tax set forth in the Article 105 of this Act, provided the permission for development or completion, or for establishment of new industrial and mining units, in context of specific investment projects, is obtained from relevant ministries.

b. 5 Granting of Licenses, Provision of Training & Technical Assistance

As stipulated earlier, in line with the provisions of Article 1 of the Direct Taxation Act, every non-Iranian real or legal person shall be subject to taxation with regard to his/its incomes earned in Iran, as well as in respect of the incomes derived by such person from an Iranian source for granting royalties, or for the provision of training and technical assistance and also for the transfer of cinematographic films.

The tax rates for the aforementioned cases of incomes in Iran, normally ranges between 20 up to 45 percent of total annual earnings.

b.6 Foreign Contractors

Foreigners performing contracting operations in the Islamic Republic of Iran in such fields as building and installation designs, technical calculation and supervision, construction work, technical and industrial designs and drawing and mapping are liable to 12 percent of their total annual earning, with regards to their taxable income.

b.7 Tax on Aggregate Income

Excluding taxes on land transfers and inheritance-related property, all income taxes payable, are computed on the basis of the rates provided by Article 131 of Direct Taxation Law. The latter Article stipulates: “the rates of income tax of real persons, except where separate rates are provided under the present Act, shall be as follows:

Table 5.b.7.1

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Annual taxable income** | | | **Rates** | **Of the excess over** |
| Up to | IRR | 30,000,000 | 15% |  |
| Up to | IRR | 100,000,000 | 20% | IRR 30,000,000 |
| Up to | IRR | 250,000,000 | 25% | IRR 100,000,000 |
| Up to | IRR | 1000,000,000 | 30% | IRR 250,000,000 |
| Over | IRR | 1000,000,000 | 35% | IRR 1000,000,000 |

Source: Ministry of Economic Affairs & Finance

b.8 Tax on Income of Juridical Persons

On the basis of Article 105 of the above-mentioned Act, the aggregate income of companies, the income from profit-making activities of other juridical persons, derived from different sources in Iran or abroad, less the losses resulting from non-exempt sources and minus the prescribed exemptions, shall be taxed at the flat rate of 25 percent, except the cases for which separate rates are provided under the present Act.

Note 2 of Article 105 provides that foreign juridical persons and entities residing abroad, except those subject to the Note 5 of the Article 109 or Article 113 hereof, shall be taxed at the rate set forth in this Article in respect of the aggregate taxable income from the operation of their investment in Iran or from the activities performed by them, directly or through their agencies.

Note 3 below Article 105 states that at the time of computation of the income tax of juridical persons, whether Iranian or non-Iranian, the pre-paid taxes shall be deducted from the applicable tax and any other overpaid amount shall be refundable.

Furthermore, Note 4 of the same Article provides that the persons, whether real or juridical, shall not be the subject to any other taxes on dividends or partnership profits they may receive from the capital recipient companies.

In pursuit of the provisions of Article 107 the taxable income of foreign judridical persons and enterprises residing abroad shall be assessed as follows:

**b.8.a** In case of contracting business in Iran, the taxable income will be 12 percent of total annual receipts.

**b.8.b** In case of income derived from Iran for granting of licenses and other rights or transfer of cinematographic films, the taxable income shall consist of 20 percent to 40 percent of all payments received by them during a tax year.

**b.8.c** As for the operation of capital and other activities performed by the non-Iranian legal persons and enterprises in Iran through agencies such as branches, representatives, agents and the like, the regulations of the Article 106 of this Act shall apply.

In accordance with the provisions of Note 1 of the latter Article in cases where the contract operations subject to the above paragraphs (a) and (b) are wholly or partly assigned to Iranian legal entities as contractors, those making payments to such Iranian contractors should withhold 2.5 percent of each payment as their on account tax and remit it, within 30 days from the date of payment, to the account to be determined by the State Organization of Tax Affairs.

In line with Note 2 of Article 107, if the relevant employer of the contract subject to the Paragraph (a) of this Article is a ministry, a state company or a municipality, then that part of the contract price which is used for purchase of supplies and equipment from domestic or foreign sources shall be exempt from taxation, provided the amounts relevant to those supplies and equipment are included, apart from other items, in the contract or in its further amendments or supplements.

However, according to provisions of Note 3 of this Article, branches and agents of foreign companies and banks in Iran that are engaged in gathering information or finding markets in Iran for their parent entities, without having the right to make transactions, and receive remuneration from them against their expenditures, shall not be subject to taxation in respect of such remuneration.

Meanwhile, as Note 4 of Article 107 of the Direct Taxation Law provides in cases where foreign contractors assign, wholly or partly, the contract subject to the Paragraph (a) of this Article to Iranian legal entities as subcontractors, any part of the receipts of the main contractor in respect of the supplies and equipment that are mentioned in the first hand contract but purchased by the subcontractor, will be exempt from taxation.

Moreover, on the basis of the provisions of Note 5 of the aforementioned Article, foreign insurance enterprises earning income by accepting reinsurance from Iranian insurance companies, shall be taxed at the rate of 2 percent on their premium income and on interest on their deposits in Iran. Where the Iranian insurance companies are engaged in insurance business in the country of their foreign reinsurers, and enjoy tax exemption in that country on their own reinsurance operation, the said non-Iranian reinsurers shall also be exempted from taxation in Iran.

b.9 Tax on Salary Income

According to provisions of Article 82 of the Direct Taxation Act, the income of real person employed by another person, whether real or legal, that is derived against services rendered by him/her with regard to his/her occupation in Iran, whether on basis of the time spent or the work done, and whether paid in cash or non-cash form, shall be subject to tax on salary income.

Article 83 of the Direct Tax Law provides that taxable salary income consists of the basic salary and fringe benefits paid in connection with the employment, whether on a recurring or non-recurring basis, before subtraction of deductions, but less the tax exemptions provided under the present Act.

Moreover, the Note below Article 83 of the Direct Taxes Act states that the non-cash income subject to salary tax shall be appraised and computed as follows:

**b.9.a** furnished housing equal to 25 percent;

**b.9.b** unfurnished housing equal to 20 percent of the sum of salary and regular cash benefits per month, less the amounts deducted from the employee’s salary in respect of the same housing;

**b.9.c** private chauffeur-driven car equal to 10 percent;

**b.9.d** private car without chauffeur equal to 5 percent of the sum of salary and regular cash benefits, excluding the cash benefits exempted, per month, less the amounts deducted from the employee’s salary in respect of the same car;

**b.9.e** other non-cash benefits equal to the cost price as incurred by the payer of the salary.

Based on the provision of Article 84 of the same Act, the annual income subject to salary tax shall be exempt from taxation up to a threshold equal to 150 times of the base minimum salary of the salary schedule envisaged in the Article 1 of the Law of the Iranian calendar year 1370 (1992) concerning the Coordinated System of Payments to Civil Servants.

Furthermore, on the basis of the provisions of Article 85, salary income of employees subject to the Law of the Iranian calendar year 1370 (1992) less the exemptions provided in this Act, shall be subject to tax at a flat rate of 10 percent. As regards the other salary receivers, up to IRR 42,000,000 of their salary income, minus the exemptions envisaged under the present Act, shall be subject to the same rate of 10 percent, and the rates of the Article 131 hereof shall apply to the rest thereof.

b.10 Tax Assessment Procedure

On the basis of the contents of Article 100 of the Direct Taxation Act the taxpayers subject to the chapter concerning the “Tax on Business Income’ are required to draw up tax returns of their business activities performed during a tax year, separately for each business unit or each place of business, in conformity with a sample to be prepared by the State Organization of Tax Affairs. They have to submit such tax returns, and to pay the applicable taxes at the rate of Article 131 hereof up to the end of the Iranian calendar month Tir of the following year.

Moreover, regarding Tax on Income of juridical persons, Article 110 of the Direct Taxation Act states that this category of taxpayers are required to submit to the Tax Affairs Office local to the place of their main activity, their tax return, balance sheet and profit and loss account supported by their books of accounts, records and documents together with a list containing the identities of partners or shareholders, their capital shares or number of shares, whichever be applicable, and addresses of each of them, and to pay the applicable taxes, not later than four months after the expiry of each tax year. According to the provisions of the same Article, the place for submission of tax return and payment of taxes for the foreign legal persons and enterprises residing abroad without having residence or agency in Iran, shall be Tehran. The rule of the present Article shall apply to the owners of factories and juridical persons in the period of their exemption as well.

However, provided that tax returns are lodged within the set time limit, the tax assessors have 12 months from the deadline for submission of the returns to carry out their scrutiny and issue their tax assessment. The taxpayer is, subsequently, entitled to lodge his appeal, if he wishes so, within 30 days from the date of receiving the tax claim.

b.11 Procedure of Appeal

Initially, the tax payer may appeal for referral of the disputed case to the Preliminary Commission for Settlement of Tax Disputes, within 30 days from receipt of the tax claim. Moreover, should he/she is not persuaded with the outcome of the said Commission, then he/she will be entitled to appeal to the Secondary Commission and, ultimately, to the High Council of Taxation.

b.12 Double Taxation Treaties

There are a number of treaties and agreements between the Islamic Republic of Iran and some of its trading and economic partners on elimination of double taxation. Such treaties concern different types of income in the countries of the contracting partners, the limits on taxes payable in each of the two countries, the prevalent ways of set-off and tax credit allowances, as well as the applicable appeal procedures.

b.13 Notice

Taking into account the possibility of changes and alterations which may be applied, from time to time, to the sensitive tax issues, it is highly recommended to seek the relevant expert opinions prior to taking any action in this regard.

c. Legal System

c.1 Overview

Iran’s legal system until the advent of the Constitutional Revolution, in 1906, was entirely dependent on religious principles. Moreover, the fundamental sources of law derived from: the Quran, Tradition (Sunnah), Consensus (Ejmá), Wisdom (Aghl) and Induction (Qias).

However, the contemporary Iranian legal system is a by-product of the Constitutional Revolution, in early 20th century, which transformed the religious laws and regulations into a common source of jurisprudence. The Constitution, the modern Civil and Criminal Codes along with the latter two Codes’ procedures were among the most significant instances of legislation which were ratified and implemented during the aforementioned era.

Taking into consideration the essential and fundamental changes and developments resulted from the victory of the Islamic Revolution in Iran (1979) in each and every dimension of individual and social life of Iranians, it seems quite plausible to divide the background of the contemporary Iranian legal system into two separate periods:

-prior to the Islamic Revolution

-after the Islamic Revolution

The Islamic Revolution has been effectively and decisively influential in changing Iran’s legal system, particularly with regards to introduction of a number of legal concepts in the Constitution as well as the existing Penal and Civil Codes.

For further information about the specificities of the Iranian Constitution and political system, please refer to Chapter 1 of the present book.

c.2 Business Law

The main sources of Iranian Business Law are:

-the Civil Code

-the Commercial Code

-the other laws and regulations adopted by the Islamic Consultative Assembly (the Parliament) and other competent bodies with regards to various business topics and issues.

c.3 Civil Code

The Iranian Civil Code which, originally, is a combination of Islamic Law and the French Civil Code, was adopted by the National Consultative Assembly (then the official name of the Iranian Parliament) in the period 1927-1931. The provisions of the Iranian Civil Code concerning the main topics it contains, such as evidence and proofs, property, ownership, contracts, nationality, family rights, divorce and domicile, constitutes the basis of the stipulations of some other laws, including the Commercial Code.

Considering the direct interaction between the Civil Code and Islamic Law which has substantially increased after the Islamic Revolution, on one hand, and bearing in mind that the Iranian Commercial Code is, to a great extent, dependent on the Civil Code, on the other hand, it is essential to assume a constant correlation between the Civil Code and the Islamic Law while trying to comprehend the spirit of the current Iranian business laws and regulations.

c.4 Commercial Code

The Iranian Commercial Code which has extensively been originated from the French Commercial Code of the time, was ratified by the National Consultative Assembly in 1932. However, despite the increasing influence of the Islamic jurisprudents on the Iranian legal climate after the 1979 Islamic Revolution, the French law still has preserved its particular status in Iran’s present legal system. In other words, the challenge and interactions between the two afore-said legal systems constitutes another determining aspect of the Iranian law today.

In the meantime, it is important to bear in mind that despite numerous alterations and amendments introduced to the original French Commercial Code during the past decades, the Iranian Commercial Code has been left so far almost intact, since its ratification in 1932-with the exclusion of the issues related to commercial companies.

However, inspired by the new developments unfolded in domestic and foreign trade transactions since the past couple of decades, a special commission was established at the Judiciary Branch of the Islamic Republic of Iran, in 2001, assigned with the task to review and update the existing version of the Iranian Commercial Code.

The Commercial Code of Iran deals with four important topics, as follows:

-merchant and trade activities

-types of companies

-negotiable instruments

-bankruptcy and liquidation.

For detailed information about the laws and regulations pertaining to commercial companies, which is one of the most important topics constituting the Commercial Code, please refer to Chapter 4 of this book.

c.5 Export & Import Regulations Act

The Export & Import Regulations Act, consisting of 24 Articles and 25 Notes was ratified by the Islamic Consultative Assembly on September 26, 1993 and endorsed by the Guardian Council on October 03, 1993.

In adherence to the contents of Article 24 of the said Act, the Ministry of Commerce is responsible for the orderly enforcement of this law and the executive ordinance thereof which according to the provisions of Article 23 of the same Act was obliged to draw up the latter document (i. e. the executive ordinance of the Law) within one month from the date of its notification, and to have it approved by the Council of Ministers.

On the basis of the provisions of Article 2 of this Act, exportable and importable goods are classified into the following three categories:

**c.5.1.** permissible goods

**c.5.2.** conditional goods

**c.5.3.** prohibited goods

While the exportation and importation of the first category of goods, i. e. permissible goods, shall not require a license, the exportation and importation of the second category of goods is possible by obtaining a license. Furthermore, the prohibited goods includes those goods whose purchase, sale or consumption is forbidden under the Islamic Sharia and/or by law.

According to the contents of Note 1 below Article 2 the government may prohibit the importation and exportation of certain goods, in compliance with the relevant laws and depending on prevailing exigencies and circumstances. Note 2 of the latter Article states that: “the types and specifications of goods falling under any one of the aforesaid three categories shall be set forth by an ordinance to be drawn up by the Ministry of Commerce and approved by the Council of Ministers”.

In line with the provisions of Article 3, engaging in the business of exportation and importation of goods for commercial purposes, requires a commercial card which shall be issued by Iran Chamber of Commerce, Industries and Mines and approved by the Ministry of Commerce. Moreover, according to the provisions of Note 2 of this Article, the Ministry of Commerce is the competent authority to settle any dispute which may arise between the applicant of a commercial card and Iran Chamber of Commerce, Industries & Mines.

Based on the contents of Note 3 below Article 3 of this Act, the cooperatives of border zones inhabitants, Iranian marines, hawkers and workers residing abroad and holding employment records issued by the Ministry of Labour and Social Affairs, are exempted from obtaining commercial card.

Furthermore, Article 5 states that all productive ministries are required to forward to the Ministry of Commerce, not later than the 4th of February of each year, their proposal for the following year concerning the export and import conditions in respect of goods similar to those produced domestically, having taken into account the internal requirements and exigencies of the state. This rule also applies to other relevant organizations and the Chamber of Commerce.

Concerning the means of transportation for the imported goods, while Article 6 of the Act grants priority to the Iranian means of transportation, it also entitles the High Council for Coordination of National Transportation to draw up the directive pertaining to the use of foreign means of sea, air, road and railway transport to carry the imported goods to Iran.

In accordance with the provisions of Note 1 of the Article 7, transit of goods from one port of entry to another is permissible, in compliance with transit regulations. Moreover, such goods are exempted from customs duties, commercial benefits and any other charges (Note 2 of the same Article).

On the basis of the contents of Note 1 of Article 8 of the Act, the import license shall serve also as a clearance permit, and no separate permit shall be required.

In the meantime, in pursuit of the provisions of Article 11 of the Act, the government is authorized to set up border marketplace in any of the frontier Zones as may be deemed beneficial, having taken into consideration such priorities as local potentialities, employment generation requirements and expansion of commercial relation with the respective neighboring country.

The temporary admission of materials and goods to be utilized in manufacturing, fishing, processing and packaging of export goods are, according to the contents of Article 12 of the Act, exempted from all import duties, excluding those designated as expenses or fees, provided that valid collateral be deposited with the Customs Administration.

Furthermore, in addition to personal effects, an incoming passenger is entitled, on the basis of Article 17, to bring in goods free of customs duties and commercial benefits up to such ceiling as may be approved by the Council of Ministers. The clearance of goods falling under this Article shall be permissible, provided that they are of non-commercial nature. The provisions of this Article is applicable to passengers arriving in the Free Trade Zones.

Meanwhile, according to the contents of Note 3 of the latter Article, in addition to personal effects, an outgoing passenger, whether Iranian or non-Iranian national, is entitled to take domestic manufactures and products without any restriction, provided that they are not intended for commercial purposes. Outgoing passengers may also take foreign goods up to the ceiling specified under this Article.

Apart from the aforementioned taxes, the imposition and collection of any dues in respect of any export goods and items are prohibited and the perpetrators shall be pursued for legal offense (Article 18).

Based on the provisions of the Article 19 of the Act, the government may allocate funds in the annual budgets for the encouragement of export. Such funds shall be dispensed to exporters to enable them to benefit from financial facilities, on the recommendation of the Ministry of Commerce and approval of the Council of Ministers.

Moreover, in order to safeguard the Iranian carpet industry, Article 22 of the Act provides that the Ministry of Commerce is required to prevent, as of March 21, 1995, carpets of over 30 knot count from being exported without an identification card which shall be issued, as a mandatory measure, by the Chamber of Commerce, Industries and Mines.

c.6 Electronic Commerce Law

Development of e-commerce is dependent on a number of conditions and activities, including widespread awareness and education in the economic-trade community, in particular, and the entire society, at large, readiness of the requisite technical and technological infrastructures, and, last but not the least, existence of a vibrant and comprehensive legal and regulatory framework. The prevalence of such a legal environment would facilitate business transactions, secure the private and intellectual properties, increase new investments and, ultimately, help the cause of the materialization of a sustainable and elaborate development of the country.

The Electronic Commerce Law of Iran, consisting of 81 Articles and 7 Notes, was enacted by the Islamic Consultative Assembly in 2003.

This Law comprise a set of rules and principles to be applied for easy and secure communication of information in electronic intermediaries using state-of-the art communication systems (Article 1).

Article 2 of the said Law provides the precise definition of the technical terms which appear in the Law. Data message, originator, addressee, incorporation by reference, integrity, computer system, information system, secure information system, secure method, electronic signature, signatory, person, personal test, consumer, supplier, means of distance transaction, distance contact, durable medium and private data, are the key terms defined by the aforementioned Article.

On the basis of Article 3, “the international origin, the need to promote uniformity in its application, and the observance of good faith should always be taken into consideration in the interpretation of this Law”.

Section 4 of the Law concerns Validity of Private Agreements and according to the provisions of Article 5, “any change in the generation procedures, sending, receipt, storage or processing of a “data message” is deemed valid upon a mutual private agreement and consent”.

Article 6 of the Law states that “when the existence of a written document is deemed legally requisite, “data message” can be used as a replacement except unless for the following cases:

-ownership documents of immovable property

-sale of medical materials to the final consumers

-announcements, notifications, warnings or the like statements issuing a particular provision on the use of goods or prohibiting the use of certain methods or their omission hereto. Furthermore, where the Law requires a signature, an electronic signature may suffice (Article 7).

In line with the provisions of Article 8 of the Act, where the law requires that the information be presented or retained in its original form, it is also possible to retain it as “data message” if the following requirements are met:

-the information contained therein is accessible so as to be usable for subsequent reference;

-“data message” is retained in the same format it was generated, sent or received or in a format which can exactly represent the information generated, sent or received;

-the information, if any, enabling the identification of the origin or destination of a “data message” and the date and time when it was sent or received is also retained;

-other provisions that an institution, organization, and governmental agency or ministry has laid down within the scope of their functions are retained.

In accordance with the contents of Article 12 of this Law, “evidence and any supporting document may be in the form of data message and the essential value of a data message can by no means be repudiated solely due to its form and framework at any court or governmental office”.

The evidential value of a data message, on the basis of Article 13 of the Law, depends on the methods used to guarantee its security, and adhering to the provisions of Article 14, all data messages which have been generated and stored via secure methods are deemed to be valid documents by legal authorities. Moreover, according to Article 15 of this Law, the validity of a secure data message, secure electronic record and secure signature may not be questioned or denied.

Meanwhile, electronic signature services is the subject of Article 31 where it provides for the nationwide establishment of Certification Service Providers.

According to the provisions of the latter Article, generation, issuance, transmission, confirmation, dismissal and update of electronic signature certificates make up the ingredient parts of electronic signature services.

Furthermore, Articles 33-49 provides for the issues concerning consumer protection, while Articles 50-61 concentrates on the marketing-related matters.

Protection of authors’ rights in electronic transactions are stipulated in Articles 62-63 and protection of trade marks, are subject to Articles 64, 65 and 66 of the Law, correspondingly.

On the other hand, Chapter four of the Law, consisting of four parts, namely, fraud, forgery, violation of exclusive rights in electronic transactions and violation of data message protection in electronic transactions, is entirely devoted to the general topic of “fines and penalties”.

However, Chapter 5 of the Law, titled, “compensation”, embodies the sole Article 78 which determines the private or governmental institutions, involved in electronic transactions liable to the damages they may inflict upon a person due to their deficiency or fault.

c.7 Protection of Consumers’ Rights

To comply with consumers’ rights and ensure their satisfaction, the producers are required to constantly take note of a set of important criteria, inter alia, quality, pricing, after-sale services, extension of timely information about their produced goods and services, as well as consumers’ personal values and tastes. This was the basic incentive behind establishment of the Consumers and Producers Protection Organization, with a statute embodying its objectives, duties and authorities.

Objectives

The main goals pursued by the Consumers and Producers Protection Organization are as follows:

-protection and promotion of domestic production;

-protection of consumers in cases of un-reasonable fluctuation in prices;

-cooperation with competent organizations for encouragement of export activities;

-promotion of exports through surveying, modifying, stabilizing and controlling prices of internal products and imported goods;

-carry out the necessary research projects aimed at stabilizing prices of locally produced and imported goods.

Duties and Authorities

The most important duties and authorities of the above-said Organization are as follows:

-provision of requisite services for protection of production and steady supply of domestic products;

-protection of consumers against un-reasonable fluctuations in prices through conduction of surveillances;

-carrying out the necessary investigations and studies to promote export of non-oil goods and cooperating with the relevant bodies, in this respect;

-surveying, modifying and supervision over the prices of various locally produced and imported goods and services, in the whole sale and retail sectors;

-studying the elements affecting the finished prices of goods and services;

-contacting the manufacturing enterprises, intermediaries and sellers to determine the real prices of goods and services.

Certificate for Compliance with Consumers’ Rights

The qualified producers who demonstrate outstanding efforts to comply with the standards and regulations aimed at ensuring the consumers’ rights are granted with a special certificate in Iran. This certificate acknowledges the endeavors of the recipient(s) in line with the attainment of the following targets:

-to encourage producers to adopt customer-oriented policies;

-to encourage customers to buy and consume quality products;

-to create constructive competition among producers;

-to motivate producers towards quality improvement, lower pricing, faster delivery and better services;

-to strengthen public confidence and support for the policies adopted and implemented by the above-mentioned Organization.

c.8 Competition & Anti-monopoly Laws & Regulations

There is neither an independent law regarding the topic of “Economic Competition”, nor an Act on Anti-trust activities in Iran. However, both issues are addressed in a number of laws and regulations in force, including the “General Policies of the Article 44 of the Constitution” and the Law on Implementation of the said General Policies and Revision of some Articles of the 4th Economic, Social and Cultural Development Plan Law of the I. R. of Iran.

“Economic empowerment of the private and cooperative sectors and enabling them to enhance competitiveness of their products in international markets” is a pivotal theme being underscored in various sections of the aforementioned “General Policies”, e. g. Section “C” on the “General Policies on Development of the Non-state Sector and Ceding of State-owned Enterprises”.

Furthermore, ‘preventing creation of monopolies by the non-state enterprises by putting in place laws and regulations’ is one of the basic guiding principles which had been focused in Section ‘E’ of the above-said ‘General Policies’.

Meanwhile, both topics have been dealt with, in length, by the Law on the Implementation of the General Policies of the Article 44 of the Constitution and Revision of some Articles of the 4th Economic, Social and Cultural Development Law. The former Law consisting of 83 Articles, embodies a relatively comprehensive list of provisions concerning the two above-mentioned topics.

For instance, Article 51 provides for the obligations and restrictions of the members of the ‘Competition Council’, the ‘Board of Appeal’ and the employees of the ‘National Competition Center’.

According to Paragraph 2 of the said Article, the members of the ‘Competition Council’ and the ‘Board of Appeal’ and also the employees of the ‘National Competition Center’ are prohibited from disclosing the internal information they gain about the enterprises, firms or individuals, while discharging their duties, or taking advantage of such information in their own or any third party’s interest.

In accordance with the provisions of the Article 52 of this Law, the ‘Competition Council’ has been entrusted with the obligation to enable the public to have access to the regulations and implementation manuals of this chapter of the Law, and publish, on annual basis, its performance reports on the execution of the provisions of this chapter of the Law.

In pursuit of the provisions of Article 55 of this Law, providing forged statements to obtain the certificates and licenses subject of this chapter, or in the course of verification of anti-competition procedures including inspections and investigations, or refraining the information and documents which can be effective on the decisions of the ‘Competition Council’ and the ‘Board of Appeal’ or providing the ‘Competition Council’, the ‘Board of Appeal’ and the ‘National Competition Centre’ with forged and false documents, or destroying, changing or distorting the documents, directly or indirectly, which are related to anti-competition procedures shall be liable to a jail sentence from three months up to one calendar year or a cash fine of IRR 10m up to IRR 100m, or both punishments. Moreover, should submission of forged documents or false statements result in obtaining the certificates and licenses subject of this chapter, the court of justice, based on the application of the relevant beneficiary, in addition to the penalties stipulated in this Article, shall issue a verdict on the annulment of the said certificate or license.

Meanwhile, false testimonies and statements extended by the relevant experts to the ‘Competition Council’ and the ‘Board of Appeal’ and lodging baseless complaints to the ‘Competition Council’ or the ‘Board of Appeal’ with the intention of damaging the commercial and professional credibility of enterprises or companies or their managers and owners, shall be liable to the penalties provided in the Articles 56 and 57.

Chapter 5 of this Law consisting of Articles 68-78 provides for the ‘Requirements of Ceding of State Enterprises and the Appropriate Ways of Using the Proceeds’.

Article 68 provides for the measures needed to protect the job security of the employees of the state companies subject to ceding regulations, such as insuring them prior to the ceding procedure, re-training of the employees and improvement of the production lines. However, according to Note 2 of this Article, the buyers of the ceded state firms are entitled to replace the existing employees with new workforce, based on the provisions of the Labour Law.

In accordance with the contents of the Note below Article 69, the government is obliged to adopt such measures that the cedings subject of this Law be accomplished, at most ten years from the ratification of this Law, so that the Privatization Organization could be dissolved thereafter. Furthermore, Article 70 of the Law provides that the shares, the right of pre-emption and the royalty of all firms subject to the issue of ceding of this Law shall be conducted through the Stocks Market with prior public call and ample publicity. Should a firm subject to ceding may not be ceded via the Stocks Market, then the Privatization Organization shall be obliged to offer the shares of the firm, on the basis of the approval of the High Council on the Execution of the General Guidelines of Article 44 of the Constitution, through public tender or within the national and international markets.

In the meantime, Note 1 of this Article states that while offering the shares of a firm through the Stock Market, the Privatization Organization is obliged to arrange it for the cooperative sector to gain priority in buying such shares. However, Note 2 of the same Article stipulates that in exceptional causes where there is no buyer after the announcement of the tender, the shares may be sold through negotiations, based on a specific permit to be issued by the Supreme Board of Ceding.

Article 71 provides that the workers and employees of the firms subject to ceding enjoy priority in buying the offered shares and financial rights and installment-based selling of at most 5 percent of the shares of such firms to their managers and staff members is permissible.

Moreover, the Note below Article 71 commits the government to adopt measures aimed at allocating the necessary stimuli for the attraction of competent managers to such firms.

On the basis of Article 72 of this Law assessment of the cedable assets of these firms shall be conducted according to prevalent world prices.

Meanwhile, according to provisions of Article 74 of this Law, the Privatization Organization is obliged to disclose such information as the name and other specifications of the company, an abstract of the conducted transactions, including the amount of the ceded shares, names of the relevant consultants, and name and address of the buyer, by publishing a notice in wide circulation newspapers of Iran, after accomplishing each transaction. However, as Article 75 of this Law stipulates, the Minister, Deputy Minister, and the Directors of the Ministry of Economic Affairs and Finance and those staff members of the said Ministry who are involved in the ceding of the state owned enterprises and firms, members of the Board of Directors, the President and employees of the Privatization Organization and members of the consulting firms and expert committees involved in the ceding matters are not entitled to buy, directly or indirectly, the shares, rights of pre-emption, royalties and exploitation rights of the companies subject to this Law. Moreover, Note 1 of the latter Article asserts that all transactions and cedings contrary to the provisions of this Article shall be null and void and the court of justice in charge of such cases in obliged to repatriate the subjects of such cedings to the ownership of the government. Note 2 below this Article also attributes the provisions of this Article to immediate dependents of all individuals mentioned in the Article.

On the other hand, in adherence to Paragraph (a) of Article 80 of this Law, for the purpose of ensuring coordination and control over the ceding procedure and good implementation of the provisions of this Law, the Supreme Council for Implementation of the General Policies of Article 44 of the Constitution is established with the following composition:

-President or First Vice-President of I. R. of Iran;

-Minister of Economic Affairs and Finance;

-Chairman of the Management and Planning Organization (currently, Deputy President in charge of Strategic Planning & Supervision);

-Governor of the Central Bank;

-Minister of Cooperatives;

-The relevant minister in each specific case;

-General Prosecutor;

-Head of the State General Inspection Organization;

-Minister of Justice;

-2 members of the Parliament.

d. Legal Frameworks for Arbitration

The Civil Procedure Code of the I. R. of Iran is the main legal source for the provisions of arbitration issues. Should the potential disputes arising out of the execution and/or interpretation of a concluded contract could not be settled through negotiations and amicable manners, then the contracting parties are entitled to the means of arbitration. This provision may be incorporated in the main body of the contract, or if deemed appropriate, in a supplementary agreement by the concerned parties.

Regarding the issue of arbitrators, the contracting parties normally have two options, i. e. either mention precisely the name(s) of their selected arbitrator(s) in the main body of the contract or in its annexation, or delegate the choice of the latter’s appointment to a third party or to a court of law.

However, in adherence to the provisions of Article 139 of the Iranian Constitution, in cases of disputes between Iranian and non-Iranian parties where public funds are at stake, or the nature and subject matter of dispute is legally considered to fall in the boundaries of the national interest, referral to arbitration is contingent upon the prior approval of the Council of Ministers and the Islamic Consultative Assembly.

Furthermore, the Law on International Commercial Arbitration which is principally based on the provisions of the UNCITRAL concerning the issue of arbitration was adopted by Iran, in 1977. Meanwhile, in order to set the legal framework for the enforcement of arbitral awards issued in foreign countries, Iran acceded to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards, in 2001, on condition of following provisions:

-the 1958 Convention will apply to disputes arising from legal bonds that are considered by the Iranian laws to be exclusively of commercial nature;

-Iran, subject to reciprocal treatment, will recognize enforce only the arbitration awards that have been granted within the national territory of one of the member states of the Convention;

-application of the provisions of the afore-said Article 139 of the Constitution.

However, should one of the contracting parties to a contract which does not specify the name(s) of the arbitrator(s) fails to nominate and introduce the arbitrator of his own choice within ten days after receiving an official notice to this effect from the other party, then the competent court may, at the request of the concerned party, appoint the arbitrator of the failing party. This procedure shall also apply to cases when the parties are unable or indecisive to appoint their sole arbitrator, or when the deceased or resigned arbitrator by a party is not succeeded by a new arbitrator, or when the parties fail to agree on the umpire, directly or through a mutually accepted third party.

Moreover, should the designated person fails, for any reason, to assume the task of arbitration and the contracting parties are unable to reach a mutually acceptable replacement for him/her, then the case of dispute may be referred to a competent court.

In the meantime, upon notification date of arbitrators, the latter must issue the award within three months, unless the time period is further extended by the mutual agreement of the parties.

When there is more than one arbitrator in a case of dispute, the award which should be given by a majority decision, must be submitted, subsequently, to the court of law for registration, unless a different procedure is mutually agreed upon by the contracting parties.

Upon receiving the authenticated copy of the award through the court, the concerned party has 20 days to either comply with the decision of arbitrators, or, based on vivid and plausible legal grounds, to file a petition for nullification of the issued award to the court.

However, should the party against whom the award is given fail to either comply with or appeal against it within the given time limit, then the beneficiary may request the competent court a writ of execution.

This time-limit shall be extended to two months if the contracting parties are permanent residents of foreign countries.

e. Intellectual Property Rights

e.1 Domestic Statutory Instruments for Intellectual Property

Protection of Intellectual Property Rights has almost a century-long history in Iran.

The Industrial and Trademark Act of 1925 was the very first legislation of its kind being ratified in Iran which was subsequently replaced by the Invention and Trademark Registration in 1931, the legislation which is still in force. The latter law was then further consolidated and clarified, in practical terms, by the approval of the Regulations for the Execution of the Invention and Trademark Registration Act in 1958.

Meanwhile, the Law on the Protection of Authors, Writers and Artists’ Rights of 1970 should be regarded as the first statutory instrument being adopted within the context of copyright in this country. This Law was further elaborated and enriched by the Law on Translation and Multiplication of Books, Publications and Audible Products in 1973.

Furthermore, the Law on the Protection of the Computer Software Developers’ Rights, approved in 2000, was another step taken by the Iranian lawmakers to increase the safeguards needed for the copyright-related matters.

The Law on the Protection of Geographical Signs, approved in 2005, is another legislation on the existing list of the statutory instruments regarding the Intellectual Property in this country.

Last but not the least, the Commercial Code and the Islamic Penal Code of 1998 are among the other main legal sources generating the due provisions regarding the Intellectual Property.

e.2 International Statutory Instruments

Iran acceded to the Lisbon version of the Paris Convention for the Protection of Industrial Property, on December 16, 1959, and later to the Stockholm revised version of the same Convention, on December 12, 1998.

Moreover, this country joined the Convention for the Establishment of the World Intellectual Property Organization (WIPO), on December 14, 2001, and the Madrid Convention on International Registration of Signs and its supplement Protocol, on December 25, 2003, the Madrid Conventions on the Fake and Misleading Source and Appellation of Origin, on March 18, 2004, and the Lisbon Convention on Protection of the Source of Origin and International Registration, on December 09, 2005. The latter measures adopted and implemented by Iran are in fact among the pre-requisites in relation to this country’s decision to accede to the membership of the World Trade Organization (WTO).

After years of debates and investigations carried out on the various dimensions and impacts of accession to the ‘WTO’, Iran finally arrived to a firm conclusion over the imperatives to join the Organization.

To this effect, Iran submitted its application for membership to the ‘WTO’ in April 2001.

Subsequently, Iran was granted with an observer status in the said global organization; an event which gave further momentum to the relevant efforts and actions needed as pre-conditions to join the ‘WTO’, inter alia, acceding to the above-mentioned Conventions concerning the Intellectual Property, and developing an exhaustive report on its trade règime.

Although the issue of Iran’s membership has so far been encountered with a series of impediments, mostly of political nature, including the implausible obstacles created by the U. S. Administration, nonetheless, almost all the well-informed and competent observers and analysts are firmly convinced that Iran will eventually be admitted to the ‘WTO’ in the next few years.

Meanwhile, Iran is no party to any other regional or global multilateral arrangements concerning Intellectual Property Rights. However, it has committed itself to protect such rights within the framework of the bilateral commercial, investment and cultural treaties with other countries, on mutual basis.

Furthermore, there is no provision in Iran’s national legal codes contrary to implementation of national treatments based on the Most-Favored Nation Principle in respect of granting and protecting Intellectual Property Rights to non-Iranian natural and legal persons.

e.3 Patent-related Legal Issues

According to the provisions of Article 27 of the Invention and Trademark Registration Act of 1931, the patentable inventions and processes should mainly be identified with the two basic criteria of novelty, and industrial and agricultural application. However, the stipulated applicability criteria, in a broader sense of the term, also overlaps with other fields, such as trade, services and handicrafts.

Moreover, in adherence to the contents of Article 28 of the same Act any new invention or discovery in various areas of industry or agriculture entitles the inventor or discoverer to exclusive rights stipulated in the Act. The Industrial Property Registration Office is the designated authority in charge of registering the new inventions or discoveries.

Meanwhile, financial projects, new inventions harmful to public health, order or morality and pharmaceutical formula or compounds are excluded from the provisions of the above Article 27.

e.4 How to Apply for a Patent?

The procedure for securing a patent in Iran begins with the preparation of an application containing, inter alia, the following information:

-the subject of the invention;

-a relatively comprehensive description about the new invention or development of an existing invention possessing the two aforementioned basic attributes;

-name, address, profession and nationality of the applicant.

The application should be dated and signed by the applicant and attached with a number of other necessary papers, including the relevant drawings, prior to submitting it to the Industrial Property Registration Office. Furthermore, apart from the receipts concerning the due payments made in the account of the afore-said Office, the application is required to be annexed with a Letter of Attorney, in the relevant cases.

In line with the prevailing Iranian laws and regulations any form of infringement of patent rights, deliberate or un-intentional, may subject the violator of such rights to court proceedings.

The patent-holder is the sole person entitled to decide about the eligibility of the user of his/her patented invention, in the whole or part of the conferred ownership rights. He/she is also empowered by law to take legal action against any and every natural and/or legal person who manufactures or imports the patented product, utilizes the patented process or sells the products which are manufactured in violation of his/her exclusive patent rights.

Moreover, according to the current legal provisions, in the event of any illegal exploitation of such rights, the patentee has the option to resort to the stipulated civil and criminal remedies to be compensated against any loss suffered or the legitimate benefits from which he/she is deprived as a consequence of such infringements.

e.5 Trademarks

In line with the provisions of Article 1 of the Invention and Trademark Registration Act of the Islamic Republic of Iran a trademark may be used in pursuit of four objectives: i. e. distinguishing or specifying particular brands, their quality, their origin as well as marketing purposes.

On the basis of the Iranian law, protection of a trademark is contingent upon its prior registration.

Moreover, pharmaceutical, medicinal, veterinary, toilet preparations as well as the packaging of foodstuffs and beverages are subject to mandatory registration, while marks contrary to public order or morality are among the signs that are not entitled to registration.

The initial protection period for trademarks is ten years which can be renewed for similar consecutive terms and a grace period of six months is permissible for late renewals. Furthermore, expiry of validation is the sanction provided by the law for untimely renewal of trademarks.

Meanwhile, registered trademarks may be changed in Iran through the submission of an official application by the owner of trademark or his/her authorized representative to the Industrial Property Registration Office. The application attached with all the relevant documents, including receipt of the paid registration fee, is required to contain all details of the intended changes.

On the other hand, the owner of an officially registered trademark is legally entitled to assign his conferred rights to others through legal means. The transfer of such rights should be carried out by submission of a request to the Registration Office attached with the due legal documents, the certificate of registration, and the power of attorney. This procedure also applies to the assignment of such rights registered outside the Islamic Republic of Iran, and the rights stemming from the issue of a license. However, in accordance with the contents of Article 13 of the Invention and Trademark Registration Act, should a registered trademark be commercially left dormant, without justifiable grounds, within three years from the date of its registration, it may then be subject to cancellation by a competent court, given the matter is requested by an interested party.

In addition to the above-mentioned legal aspects of trademarks prevailing in the Islamic Republic of Iran, it should be noted that according to the provisions of the above Act application for the registration of a trademark may be objected by any person who either has a claim about the precedence of his/her ownership, or its similarity to the trademark which he/she already possess. The competent court or the Registration Office are the authorized bodies to verify such objections. In case a protest is lodged against an un-registered trademark, the actions necessary for registration of the trademark must be taken in parallel with raising objection over the previously applied registration. However, the case can be directly referred to a competent court when objection is made against a registered trademark.

On the basis of the due provisions of the above-said Act objection to registration of trademarks will be subject to the statute of limitation after three years from the date of registration, unless it can be proven that the applicant had the knowledge of perpetual use of the trademark by the objector, or his/her assignee, at the time of registration.

e.6 Trade Names

A trade name which is the name introducing a particular enterprise is under legal protection, if registered in accordance with the provisions of Article 578 of the Commercial Code. Articles 576 through 582 of the Commercial Code set the basic statutory regulations regarding the matters related to trade names. However, in practical terms, trade names in this country are usually registered under the guise of trademarks.

6.7 Service Marks

A service mark which is defined as a sign distinguishing the services offered by a particular enterprise from those of other enterprises is protected in Iran on the basis of a broader interpretation of Article 1 of the Invention and Trademark Registration Act.

Moreover, the contents of class 35 of the classification of merchandise annexed to the Regulations for the Execution of the Invention and Trademark Registration Act, ratified in 1958, where it states ‘marks reserved for services’ is a further statutory regulation from which the legal protection for service marks may be inferred.

e.8 Indication of Source and Appellation of Origin

Based on the provisions of Article 1 of the Invention and Trademark Registration Act of the Islamic Republic of Iran, a trademark may be adopted to distinguish or specify the product of a group of farmers or indutrialists or commercial firms, or a city or town, or a region of the country.

This provision constitutes the legal basis for the registration of both expressions; i. e. indication of source and appellation of origin.

In practical terms, registration of both of the above-mentioned expressions in Iran is subject to the same regulations provided by the Invention and Trademark Registration Act and the Regulations for its Execution with regards to registration of trademarks.

e.9 Utility Models & Industrial Designs

Protection of utility models and industrial designs in Iran derives from the fact that, as mentioned earlier, this country is a party to the Paris Convention for the Protection of Industrial Property.

As a result, Iran is committed to the provisions of Article 11 of the Convention which bounds the member countries to grant temporary protection to utility models and industrial designs, in respect of goods exhibited at official or officially recognized international exhibitions held in their respective territories.

Furthermore, concerning the issue of industrial designs, it should be noted that due to the limited protection extended by the provision of the referred Article 11 of the above-mentioned Convention, on one hand, and the silence of the Iranian laws on the subject, on the other hand, such designs are usually registered as trademarks. This legal settlement which is used with the intention to ensure optimum safeguards for the protection of industrial designs in Iran, has been practically accepted by the Industrial Property Registration Office.

f. Litigation in Commercial Matters

f.1 Overview

As it was asserted in previous sections of this book, the Islamic jurisprudence has fundamentally influenced Iran’s legal environment following the 1979 Islamic Revolution.

Such effects, not necessarily contradictory with the internationally accepted principles in all instances, can vividly be observed, inter alia, in Iran’s Constitution, the Civil and Penal Codes as well as the existing judiciary system.

The Judiciary in Iran being entirely independent of the Executive Branch is headed by a highly competent Islamic jurisprudent, who is appointed by the Leader of the Islamic Revolution. So far, each of the Heads of the Judiciary Branch has served for two consecutive five-year terms, since the assumption of the leadership of the Islamic Revolution by Ayatollah Khamenei.

f.2 Basic Principles

According to the prevalent laws and regulations all civil and criminal actions are subject to general courts of law.

Civil actions include the actions pertaining to property, ownership, contracts, torts, nationality, family rights, divorce, domicile and other obligations. Whereas the Iranian Commercial Code is immensely dependent on the Civil Code and the latter has tremendously been influenced by the Islamic Sharia, the correlative impacts between the two sets of laws must constantly be taken into account while interpreting the current Iranian business laws and regulations.

f.3 Jurisdiction

The significant issue of identifying the jurisdiction of courts in Iran may be determined on the basis of a set of criteria and factors which are listed hereunder, in the order of the precedence of each of them.

The defendant’s permanent place of domicile in Iran, primarily, constitutes the jurisdiction of the court before which all actions, including civil actions, must be brought. Should the defendant lack a permanent place of domicile, then the court within whose jurisdiction lies the defendant’s temporary residence will be competent to take up a claim. In cases where the two aforementioned criteria do not exist, competency lies with the court within whose jurisdiction the defendant owns real estate. However, in the absence of the afore-said three criteria, the plaintiff is entitled to bring action before the court of his own place of domicile.

Moreover, regarding commercial matters, the issues arising from implementation or interpretation of contracts as well as matters related to movable property, the plaintiff may bring action before the court within whose jurisdiction the contract was concluded or the commitment is to be discharged.

Meanwhile, it should be noted that the scrutiny of a case by a non-Iranian court does not revoke jurisdiction of the Iranian court over the same case.

f.4 Appeal

The verdict issued by a Court of First Instance is appealable by a Revision Court. Should parties to the case reside in the territory of the Islamic Republic of Iran, the time period allowed for filing an appeal is 20 days from the date of formal notification of the court decision. However, the permissible time period within which the appellant must file his/her appeal to the Court of Appeal is two months from the referred date, should the parties reside abroad.

f.5 Costs of Litigation in Iran

The court cost in Iran is payable at the beginning of proceedings in each stage of litigation. The cost of the Court of First Instance is 1.5 percent of the initial IRR 10m and 2 percent for amounts exceeding the latter amount. Moreover, the court cost for the Revision Court is 3 percent for any amount at stake.

Meanwhile, the cost for specific category of appeals which are subject to the jurisdiction of the Supreme Court, is 3 percent for the initial IRR 10m and 4 percent for the amount exceeding the latter amount.

CHAPTER 6

Banking & Financial

Markets

6.1 Banking Structure

a. Overview

Iran’s banking system prior to the 1979 Islamic Revolution was designed mostly on the basis of the patterns prevailing in the western countries. Altogether there were 36 banks operating in this country by 1979. While Bank Melli was actually the most credible bank, Bank Saderat (private-owned) had the largest number of branches across the country, totaling 2902. During the said era, there were many banks, jointly owned by Iran and foreign countries; the Anglo-Iran Bank, the Arab Bank, the Iran-Japan Bank and the Iran-Soviet Bank were among the latter category of banks operating in the pre-revolution time.

Iran’s banking system went through four phases after the Islamic Revolution:

1.Upon the ratification of the Banks’ Nationalization Act, in June 1979, the ownership of all existing 28 private banks was abolished from the private sector and transferred to the government.

2.After the ratification of the Banks’ Amalgamation Act, in December 1979, a plan for merging the above-mentioned banks was adopted. Subsequently, the number of banks was reduced to nine, consisting of six commercial banks and three specialized banks.

3.The Usury-free Banking Law, abolishing interest and bringing banking operations in conformity with Islamic regulations, was ratified by the Islamic Consultative Assembly (the Parliament), in 1983. Thus, it is safe to assert that the two concepts of nationalization and interest-free banking have shaped Iran’s post-revolutionary banking system brining it, theoretically, into line with Islamic laws and regulations.

4.And, finally, the competent authorities and policy-makers came to the conclusion that recovery of Iran’s economy is contingent upon the creation of an efficient financial market and an effective and vibrant banking system. This new thinking which gradually prevailed through all branches of the establishment was ultimately reflected in Iran’s Third Five-Year Development Plan (March 2000-March 2005), whereby provides the following means to improve Iran’s banking system:

Establishment of private banks: the government has the authority to permit establishment and functionalization of non-government banks;

Privatization: privatization of up to 49 percent of existing government-owned banks.

b. Iranian Banks & Credit Institutions

Currently, there are four categories of financial structures in Iran, as follows:

b.1. commercial government-owned banks

b.2. specialized government-owned banks

b.3. non-banking credit institutions

b.4. private banks

b.1 Commercial Government-Owned Banks

There are already 7 commercial government-owned banks in Iran, as follows:

b.1.1 Bank Melli Iran

Bank Melli Iran, established in 1927, was state-owned before the Islamic Revolution and the largest bank in the country. This bank traditionally serves many public-sector entities. It has more than 3,000 domestic branch offices, in addition to 20 branch offices abroad.

b.1.2 Bank Mellat

Bank Mellat was formed shortly after the Islamic Revolution through the merger of 10 private and government-owned banks. This bank has almost 2,000 domestic offices and four branch offices abroad.

b.1.3 Bank Tejarat

Bank Tejarat was set up in December 1979 by merging of 12 international and multinational private banks. This bank, currently, has over 1,600 domestic branch offices.

b.1.4 Bank Sepah

This is the very first Iranian bank established in 1925. Bank Sepah has always been state-owned and performed the bulk of its business with the armed forces. It has over 1,500 branches and four branch offices abroad.

b.1.5 Bank Saderat Iran

Bank Saderat was formed in 1953 and has not merged with any other bank since the 1979 Revolution.

It set up, initially, provincial banks in various Iranian provinces after 1979. This bank, with more than 3,300 branch offices, has the largest network of branches throughout the country. Furthermore, branch offices of Bank Saderat are based in London, Paris, Frankfurt and Athens.

b.1.6 Bank Refah

Bank Refah, originally named Bank Refah Kargaran, was formed in 1960. Following the decision of the Supreme Administrative Council, on July 20, 1993, the Social Security Organization obtained a 46 percent stake in the bank. In late 1999, the government agreed to transfer the remaining shares of the bank to the Social Security Organization. Bank Refah has over 700 domestic branch offices.

b.1.7 Post Bank of Iran

This is a bank affiliated with the Iranian ICT, formed in the post-revolution era. Post Bank of Iran is fully government-owned.

b.2 Specialized Government-owned Banks

b.2.1 Export Development Bank of Iran

Export Development Bank of Iran (Bank Towse Saderat) was established in 1991. The bank has been appointed as an authority in respect of confirmation and implementation of buy-back agreements in the private sector. Export Development Bank of Iran is the agent of the Islamic Development Bank (IDB) in the export financing schemes. The Bank has 24 branch offices.

b.2.2 Bank of Industry & Mines

Bank of Industry & Mines (Bank Sanat va Madan) was set up in September 1979 through the merger of three banks, one investment company and one fund.

b.2.3 Bank Keshavarzi

Bank Keshavarzi (Bank of Agriculture) was formed after 1979 by a merger between Agricultural Cooperative Bank and Agricultural Development Bank, both government-owned. A major portion of the credit required by the agriculture sector of the county is secured by Bank Keshavarzi. The bank has over 1,600 branch offices across Iran.

b.2.4 Bank Maskan

Bank Maskan (Housing Bank) was formed through the merger of various housing funds, in 1979. The bank, subsequently, kept the focal point of all its businesses and activities in the construction sector. It has about 700 branch offices across the country.

b.3 Non-banking Credit Institutions

Non-banking credit institutions are private financial institutions that hold either a general license or a specialized license. These institutions are involved in all banking activities, excluding current accounts and the issue of cheque books. However, they have been able to manage similar tasks by offering payment orders based on deposits.

The short history of these institutions dates back to May 1993 when the Currency and Credit Council decided on their creation. In fact, a non-banking credit institution is a financial enterprise that mobilizes resources by absorbing legal bank deposits (excluding interest free current accounts) and uses these resources to provide credit facilities. Alternatively, it can use any other method sanctioned by the Central Bank of Iran to act as an intermediary between credit suppliers and applicants. From a legal point of view, no bank is authorized to found or to have a share in the capital of a credit institution. Specialized credit institutions may be formed and operate as public or private joint-stock companies. General credit institutions may only be set up and function as public joint-stock companies with registered shares. A credit institution’s minimum capital is set at 50b Rials of which at least 35 percent must be paid at the time of the institution’s formation. Moreover, these institutions may raise the financial resources they need from the following sources:

accepting interest-free saving deposits;

accepting investment deposits payable at maturity;

issuing participation certificates;

obtaining facilities from real or legal persons.

Below is a brief introduction about some of this class of Iranian financial institutions.

b.3.1 Credit Institution for Development (CID)

The first specialized license for this category of financial enterprises was issued by the Central Bank of Iran, in December 1995.

b.3.2 Bonyad Credit Institution

The Bonyad Credit Institution, affiliated to Bonyad Mustazafan va Janbazan (the Foundation for the Deprived and War Veterans), was set up in 1995.

b.3.3 Karafarinan Credit Institution

Karafarinan Credit Institution which is authorized to operate as a general credit institution was registered in December 1999.

The Association of Industrial Managers of Iran and the Association of Construction Companies, Utility Engineers, Consulting Engineers and Architects are shareholders of Karafarinan Credit Institution.

b.3.4 Saman Eqtesad Credit Instituion

This institution started its business activities in November 1999, after receiving its general license. Subsequently, Saman Eqtesad Credit Institution was authorized by the Central Bank of Iran to deal in foreign exchange transactions.

b.4 Private Banks

A private bank is a bank formed on the basis of the Law Permitting the Establishment of Non-government Banks, dated April 2000, and in accordance with Article 98 of Iran’s Third Five-Year Development Plan, in compliance with the regulations adopted on December 10, 2000. The establishment of a private bank is contingent upon the permission of the Central Bank of Iran which would authorize the licensee to perform all banking operations within the framework of the Money and Banking Law, dated 1972, the Usury-Free Banking Law, and its own charter.

The fundamental principles governing private banking operations are:

 Iranian citizenship for real person applicants;

 existence of a minimum 75 percent of Iranian shareholders for legal entity applicants;

 the minimum initial capital for setting up a bank is 200b Rials, at least 50 percent of which must be deposited with the Central Bank of Iran, prior to the issuance of the preliminary license;

 should more than 10 percent of the bank’s shares be transferred to a single real or legal person, spontaneously or gradually, this act may only be performed after notification of other shareholders and securement of the approval of the Central Bank;

 private banks may only be formed as public joint-stock companies with registered shares;

 ownership of shares in non-government banks by legal entities whose capital is owned in part by the government, government companies or public institutions, or otherwise run, directly or indirectly, by the government or public institutions-is not permissible.

The major private banks currently operating across Iran are as follows:

b.4.1 Eghtesad Novin Bank

b.4.2 Karafarin Bank

b.4.3 Parsian Bank

b.4.4 Pasargad Bank

b.4.5 Saman Bank Corporation

b.4.6 Sarmayeh Bank

b.4.7 Tat Bank

b.4.8 Dey Bank

c. Offshore Banking

In accordance with the provisions of a special Act ratified in December 1999, foreign financial institutions are permitted to engage in the designated Iranian Free Trade Zones in banking activities, which is technically termed as ‘offshore banking’. Offshore financial institutions may be registered in the Free Trade Zones in the form of banks, non-banking credit institutions and branches of foreign banks.

Banks have to be registered as public joint-stock companies and non-banking credit institutions, as private or public joint-stock companies.

The minimum capital required for financial institutions in the Free Trade Zones is:

 bank: U. S. $ 10m, 100 percent of which must be deposited in cash with the Central Bank of Iran;

 institute: U. S. $ 5m, 100 percent of which must be deposited in cash with the Central Bank of Iran;

 branch of foreign bank or institute: U. S. $ 3m, 100 percent of which must be deposited in cash with the Central Bank of Iran.

The financial institutions which are regulated by the Offshore Banking Law are authorized to engage in the following activities:

 establishment of correspondent banking relations with other banks;

 transfer of money for themselves and/or for their customers;

 opening and keeping of current and/or saving accounts;

 keeping time-based deposits with various maturity dates;

 receiving various forms of credit facilities;

 circulation, purchase, sale, subscription and retention of debentures and bonds;

 granting various credit facilities;

 purchasing and giving guarantees to various commercial instruments and papers;

 carrying out affairs related to Letters of Credit (LC), bills, drafts, promissory notes and letters of guarantee;

 managing and supervising the assets and rendering investment services on account of their customers;

 rendering trustee services and carrying out managerial affairs;

 purchase and sale of foreign exchange;

 transactions in gold and silver;

 establishment of branches, sub-branches and representative offices.

However, it should be noted that the above-mentioned services must be provided by these institutions only in foreign currency. All fees and interest rates can be freely determined by the institutions.

Moreover, the professional jurisdiction of the Central Bank of Iran is only limited to supervising the performances of the offshore financial institutions and the former is not legally entitled to exert any influence whatsoever on the latters’ business decisions.

d. Foreign Banks

Foreign banks are only authorized to set up representative offices in Iran. Out of the 35 foreign banks which have secured accreditation from the Central Bank of Iran, around a dozen conduct substantial level of activities.

Trade finance is mainly handled by Italian and German banks, with Commerzbank and Standard Chartered Bank claiming the highest volumes. The petrochemical sector is dominated by Deutsche Bank, Société Générale, Credit Lyonnais and BNP Paribas.

In general, foreign banks representations in Iran basically engage in correspondent banking, letters of credit, short-term financing (up to one year) without sovereign guarantee, long-term financing under Export Credit Agency (ECA) coverage, and asset management.

e. Central Bank of Iran

To put it in a simple term, the Central Bank is the authority in charge of the monetary and credit system of the country and acts as banker to the government.

As the authority responsible for the monetary and credit system of the country, the following functions are within the domain of the Central Bank’s jurisdiction:

 issuance of notes and coins making up the country’s currency;

 supervision of banks and credit institutions;

 formulation of regulations concerning foreign exchange transactions, commitments and safeguards, with the approval of the Currency and Credit Council;

 control of foreign exchange transactions;

 control of gold transactions and formulation of regulations concerning such transactions, with the approval of the Council of Ministers;

 control of the outflow and repatriation of Iranian currency, and formulation of related regulations, with the approval of the Currency and Credit Council.

Moreover, the Central Bank of Iran as banker to the government is obliged to perform the following tasks:

 keeping of the accounts of ministries, government agencies and corporations, municipalities, as well as the organizations more than half of whose capital is held by the state; and also handling of their banking transactions at home and abroad;

 sale of all types of state bonds and treasury bills, and repayment of principal and payment of interest thereof, as the agent of the government;

 keeping custody of the country’s foreign exchange and gold reserves;

 maintenance of funds in the Iranian Rials for the International Monetary Fund, the International Finance Corporation and similar institutions;

 conclusion of payment agreements in the implementation of monetary, financial, trade and transit agreements between the government of Iran and foreign countries.

Meanwhile, as supervisor of Iran’s banking sector, the Central Bank is in charge of determining:

 legal reserve requirements for various types of bank deposits of the banks;

 bank-by-bank credit ceiling on aggregate and sectoral credit;

 minimum and maximum expected rates of return from various banking facilities;

 minimum and maximum profit shares for banks in their Mozarabah (contract of cultivation) and Musharekat (civil or legal partnership) activities;

 maximum rate of commission that the banks are to charge for investment accounts for which they serve as trustees;

 minimum ratio of liquid assets to short-term liabilities;

 maximum amount of credit facility granted by banks to each applicant;

 ratio of credit facilities granted by each bank to that bank’s capital;

 acceptable ratio of credit facilities granted by each bank to various types of deposits;

 maximum amount of commitment made by each bank emanating from opening Letters of Credit, endorsements, issuing guarantees, in addition to the type and amount of collateral for such commitments.

Furthermore, the Central Bank of Iran is authorized to audit and inspect bank accounts and documents and is further empowered to devise additional regulations to enhance its supervisory authority as the need arises, in order to ensure and safeguard against risks of bank insolvency.

Structure of the Central Bank of Iran

The Central Bank of Iran consists of five bodies:

 the General Assembly

 the Currency & Credit Council

 the Executive Board

 the Currency Reserve Control Board

 the Supervisory Board

-The General Assembly, which acts as the assembly of shareholders of the Central Bank, is composed of the Minister of Economic Affairs and Finance, the Minister of Commerce and the Head of the Plan and Budget Organization (currently, Deputy President for Strategic Planning & Supervision).

-The Currency & Credit Council, has the authority to consider and decide upon the general policies of the Central Bank and to supervise the monetary and banking affairs of the country. This Council acts as the Board of Directors of the Central Bank. The Currency & Credit Council includes, among others, the Governor of the Central Bank, the Prosecutor General, one Under-Secretary of the Ministry of Economic Affairs & Finance, the Head of the Plan and Budget Organization (presently, Deputy President for Strategic Planning & Supervision) and the President of the Iranian Chamber of Commerce, Industry and Mines.

-The Executive Board consists of the Governor of the Central Bank, a Deputy Governor, a Secretary General and three Vice Governors. The Governor of the Bank is appointed by the government for renewable four-year terms.

-The Currency Reserve Control Board is composed of two members of the Parliament, the Governor of the Central Bank, the Prosecutor General, the Treasurer General, the Head of the Government Auditing Tribunal and the Chairman of the Supervisory Board of the Central Bank.

-The Supervisory Board is in charge of auditing the accounts and commitments of the Central Bank and generating the relevant reports on them. The Supervisory Board consists of five auditors or persons versed in accountancy or banking. The Board members are appointed by the General Assembly, upon recommendation of the Minister of Economic Affairs and Finance.

6.2 Banking Regulations

a. Islamic Banking

The position held by the Islamic jurisprudence concerning the two notions of ‘interest’ and ‘profit’ are among the most fundamental parameters within the context of Islamic finance and, likewise, Islamic financial institutions. Contrary to the capitalist-based finance, the Islamic financial principles substitutes ‘interest’ with a percentage of return gained from investment activities and operations generating a surplus of wealth for financial institutions. According to the Islamic financial principles, there is no fixed rates on funds.

However, despite this regulatory restriction, the annual interest rates are, practically, standard in the Iranian banking system-on provisional basis. Based on the banks’ profit and audited financial statement and approval of the Central Bank of Iran, the provisional deposit rates, under Islamic contract, will be finalized.

Table 6.2.a.1 Standard Iranian Interest Rates (2000)

|  |  |
| --- | --- |
| **Transaction** | **Annual interest rate (%)** |
| Agriculture loans | 13 |
| Commercial loans | 25 |
| Short-term saving deposits | 8 |
| Long-term saving deposits | 18 |

Table 6.2.a.2 Deposit and Lending Rates

(%per annum)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Term-investment deposit rate (provisional) (1)** | | | | | | | **Expected rate of return on facilities(2)** | | | | | |
|  |  |  |  |  |  |  |  |  | **Construction and Housing** | |  |  |  |
|  | **Short-term** | **Special short-term** | **One-year** | **Two-year** | **Three-year** | **Four-year** | **Five-year** | **Manufacturing & mining** | **Housing savings fund of Bank Maskan** | **Others** | **Agriculture** | **Trade, services and miscellaneous** | **exports** |
| 1379 | 8 | 10 | 14 | 15 | 16 | 17 | 18.5 | 17-19 | 15-16 | 18-19 | 13-16 | 22-25 | 18 |
| 1380 | 7 | 9 | 13 | 13-17 | 13-17 | 13-17 | 17 | 16-18 | 15-16 | 17-19 | 14-15 | 23(min.) | 18 |
| 1381 | 7 | 9 | 13 | 13-17 | 13-17 | 13-17 | 17 | 15-17 | 14-15 | 16-18 | 13-14 | 22(min.) | 17 |
| 1382 | 7 | 9 | 13 | 13-17 | 13-17 | 13-17 | 17 | 16 | 15 | 18 | 13.5 | 21(min.) | 15 |
| 1383 | 7 | 9 | 13 | 13-17 | 13-17 | 13-17 | 17 | 15 | 15 | 18 | 14 | 21(min.) | 14 |
| 1384 | 7 | 9 | 13 | 13-17 | 13-17 | 13-17 | 17 | 16 | 15 | 16 | 16 | 16(min.) | 16 |
| 1385 | 7 | 7-16 | 7-16 | 7-16 | 7-16 | 7-16 | 16 | 14 | 13 | 14 | 14 | 14 | 14 |

Source: Central Bank of I.R. of Iran

(1)Public banks are authorized to determine the provisional rate of return on two-to four-year investment deposits within the range of 13-17 percent per annum since 1380, and the provisional rate of return on special short-term deposits to four-year investment deposits within the range of 7-16 percent since 1385.

(2)According to Money and Credit Council approval, in 1385, for contracts such as hire purchase, installment sale, forward transactions, joaleh and debt purchase, rate of return on extended facilities for public banks was determined at 14 percent.

Table 6.2.a.3

|  |  |
| --- | --- |
| **Type of deposit** | **Provisional deposit rate**  **(percent) (2009/10)** |
| Short-term investment (one-to four-month) | 9 |
| Short-term investment (four-month to one-year) | 12 |
| One-year investment | 14.5 |
| Two-year investment | 15.5 |
| Three-year investment | 16 |
| Four-year investment | 17 |
| Five-year investment | 17.5 |

Source: Central Bank of I.R. of Iran

b. Deposits

Iranian banks presently offer two main types of deposits:

 Gharz-al-Hassaneh: consist of current or saving deposits with the condition that the depositors earn no return. However, the banks can offer incentives, non-fixed prizes and bonuses in cash or in kind to encourage such deposits. From the point of the clients, the purpose of these accounts would be, partly, to serve as a means of transaction, payment and liquidity.

 Investment deposits: consist of short-term and long-term deposits. As mentioned earlier, the Islamic banking system do not acknowledge the existence of fixed interest rates. Theoretically, Iranian banks operate under this principle, acting as a mutual fund of sorts, sharing profits earned from the investment of deposits with depositors. Nontheless, despite these regulations, practically, there are provisional fixed interest rates in the Iranian banking system, on annual basis.

c. Payment System in Iran

Payment systems are reminiscent to money vessels whose function is, basically, to conduct the smooth financial transactions between and among business partners. However, taking into account the experience gained by the international banking community and best practices, on one hand, and the relative stability and reliability achieved in the relevant banking technologies, on the other hand, the need for standardization in the national payment system and its auxiliary instruments is stressed by all competent specialists in Iran. To reduce the overall costs of the banking system’s professional performances while providing quality services to clients and regulating the banking industry through securing the required means for timely supervision with the aim of minimizing the involved risks, inter alia, are among the prime objectives pursued in the projects pertaining to constant upgrade of Iran’s national payment system.

However, the introduction of modern payment instruments in Iran should be traced to early 1990s where the commercial bank of Sepah launched its Debit Card and ATM services. Since then almost all Iranian banks have provided their customers with the card payment services focusing on cards with debit function and ATM services to tackle the problems and shortcomings associated with heavy branch traffics.

Moreover, the interbank card switch (SHETAB) was introduced in 2002 and presently all card issuing banks in Iran are connected to the center, forming a uniform card payment network where all issued cards are accepted in all acquiring terminals.

The entire chapter 5 of the Supervisory-Policy Guidelines of the Banking System in 2009/10 is devoted to the topic: ‘payment system and electronic banking’.

Article 36 of the above-said Supervisory-Policy Guidelines asserts: ‘In implementation of electronic banking the Central Bank of Iran (CBI) is responsible for policy-making, setting bank regulations and standards, interbank settlement management, oversight and supervision of security of electronic transactions for interbank operations (such as Interbank Information Transfer Network (SHETAB) and Real Time Gross Settlement (SATNA), and the development of infrastructures for electronic banking (including electronic signature and electronic interbank clearing house). Other electronic aspects of banking transactions, including banks’ design, implementation, and utilization of internal systems are the responsibilities of banks’ Board of Directors, and electronic services companies’.

Article 38 of the aforementioned Guidelines stresses that: ‘The banks should provide incentives and encourage their customers to use credit cards. Banks are required to issue the minimum number of credit cards in 2009/10, according to instructions dispatched by the CBI’.

Furthermore, Article 39 provides: ‘The banks are required to encourage the use and initiate issuance of Point of Sale (POS) cards and provide incentives to groceries and supermarkets to use ‘POS’ facilities in their business location. The banks should adopt measures to ensure that in 2009/10 at least 25 transactions per month take place in each ‘POS’ facility’.

The concept of ‘virtual banking’ is further emphasized by the above-mentioned Policy Guidelines in its Article 42 where it stipulates: ‘The CBI will prepare guidelines and regulations regarding the establishment and operation of virtual banking. The CBI will set up a fast track appraisal and processing procedure of application for licensing of 100 percent electronic retail banking’.

In the meantime, while Article 43 of the afore-said Policy Guidelines stresses the need for operationalization of a comprehensive credit information system of bank clients, it further adds, in the note below the same Article, that ‘the credit information of banks clients should have the capacity and the capability to communicate and transfer information with other information networks in the country’.

d. Privatization of State-Owned Banks

Privatization of government-owned banks has been one of the top priorities pursued by the government, within the framework of the adopted economic policies, during the past couple of years. To this end, so far 3 biggest public banks, namely Mellat Bank, Saderat Bank and Tejarat Bank, have been subject of the state privatization initiatives in the banking sector. This policy has been highlighted in the Article 46 of the Supervisory Policy Guidelines of the Banking System in 2009/10. The said Article asserts: ‘in implementation of the General Guidelines of Article 44 of the Constitution regarding privatization programme, public banks’ privatization will the followed with priority. The CBI will adopt all measures to issue the required permits regarding public banks’ privatization’.

In line with the above-mentioned policy, Mellat Bank, Iran’s second largest bank after the state-owned Bank Melli, with 1,900 branches across the country and abroad, has offered and sold five percent of its shares in Tehran Stock Exchange. This was the first stage of Mellat Bank’s privatization scheme which runs 22 percent of Iran’s banking operation. The refered 5 percent share of this bank was sold within 2 days. In the first day Mellat Bank offered 655 million shares in Tehran Stock Exchange which around 340 million shares were sold at a price of about 360 billion Rials. Moreover, the remaining shares were sold through stock brokers at a price of 1,050 Rials (around 11 cents) in the second day of its participation in the Stock Market.

Based on studies, the Earnings Per Share (EPS) of Mellat Bank was around 185 Rials during the last Iranian year, ending March 20, 2010.

Yield of 18 percent of Mellat Bank’s stocks has made it one of the most profitable enterprises in Iran. This bank further intends to offer another 20 percent of its shares to the private sector within a year.

Concerning privatization plans of the other two state-owned banks, namely Saderat Bank and Tejarat Bank, it is interesting to note that there was a severe competition among several groups from the private sector as soon as the 4 five-percent blocs of these two banks’ shares were offered in the Tehran Stock Exchange, in late August 2009. The first and the second blocs of Saderat Bank’s shares were sold at prices of 1,459 Rials and 1,424 Rials, per share.

Moreover, the first 5-percent bloc of Tejarat Bank’s shares were offered and sold at a price of 1,732 Rials, per share, the same day.

Following these transactions, over 2,200 billion shares of Saderat Bank and Tejarat Bank, worth an approximate value of 33,000 billion Rials, were transferred from the public sector ownership to the private sector of the Iranian banking system.

Tejarat Bank, with a capital exceeding 10,000 billion Rials and Saderat Bank, with a capital of 16,080 billion Rials, are the second and the third Iranian public banks, respectively, being subject of the government privatization policy in the banking sector.

According to the Head of the Iranian Privatization Organization (IPO), 15, 14 and 11 percent (totally 40 percent) have been added to the share of the private banks in Iran’s capital market, subsequent to the sale of the shares of Saderat Bank, Mellat Bank and Tejarat Bank, correspondingly, in Tehran Stock Exchange. Presently, around 63 percent of Iran’s capital market share belongs to the private banks.

e. Anti-Money Laundering Law

The Anti-Money Laundering Law (AML Law) of Iran, consisting of twelve articles and seven clauses, was approved by the Islamic Consultative Assembly (the Parliament) on January 22, 2008 and endorsed by the Guardian Council on February 06 of the same year.

Article 48 of the Supervisory Policy Guidelines of Iran’s Banking System in 2009/10 states that: ‘The Central Bank of Iran will adopt all measures to ensure that all aspects of anti-money laundering guidelines and provisions are implemented by banks. The banks are required to train their staff regarding anti-money laundering guidelines and full implementation of them’.

Article 1 of AML Law asserts: ‘all commercial transactions are assumed to be valid, as stipulated in Article 2 of the Commercial Code (of Iran), unless the opposite is proved on the basis of the Articles of this Law. Possession of a property with ownership claim is a proof to ownership of it’.

Furthermore, the principal attributes of money-laundering determined by Article 2 of the latter Law are as follows:

‘a. acquisition, possession, keeping or using the proceeds from illegal activities with the knowledge that they have been acquired, directly or indirectly, through a criminal offence.

b. change, exchange, or transfer of proceeds with the intention of hiding their illegal origin with knowledge that they have been acquired, directly or indirectly, through a criminal offence, or helping the offender in such a way that the legal effects and consequences of the commitment of that crime would not involve him/her.

c. hiding or covering up the real nature, origin, source, location, movement, displacement, or possession of proceeds obtained, directly or indirectly, as a result of an offense’.

In accordance with the provisions of Article 4 of the AML Law, the High Council on Anti-money Laundering is chaired by the Minister of Economic Affairs and Finance, and the membership of the Ministers of Commerce, Intelligence and interior, and the Governor of the Central Bank of Iran.

On the basis of Article 8 of the said Law the information and documents collected in the implementation of this Law will be used solely in connection with the objectives stated in the Anti-money Laundering Law and disclosure of the information or its direct or indirect use will be punished in accordance with the Law on the Punishment of the Distribution and Disclosure of Confidential and Secret State Documents.

In line with the provisions of Article 9 of AML Law the punishment considered for the relevant offenders includes:

-return of the assets and the proceeds derived from the crime, and if non-existent, the equivalent or the price;

-payment of a fine of a quarter of the value of the proceeds of the crime.

Moreover, if the proceeds have been transformed or changed into other property, the said property will be seized.

Meanwhile, Article 12 of the Law asserts that: ‘in cases where an agreement on judicial and intelligence assistance pertaining to anti-money laundering, between the Islamic Republic of Iran and other countries has been concluded, cooperation will take place according to the terms of the agreement’.

6.3 Capital Market

a. Overview

The Tehran Stock Exchange (TSE) was launched in February 1967 after the ratification of the Law for the Establishment of the Stock Exchange by the Parliament, in 1966. During the first year of TSE ’s activity only six companies with IRR 6.2 b capital were listed. Subsequently, the number of listed companies increased to 43 by early 1974. Following a surge in foreign exchange revenues, because of the first oil price rise, TSE’s scope and variety of activities expanded notably. Consequently, the number of firms listed at the Tehran Stock Exchange went up to 105 by early 1978, out of which 22 were commercial and specialized private banks, two insurance companies and 81 industrial corporations-with IRR 240b capital.

The trading of government bonds and certain state-backed certificates were also among the other developments taking place in ‘TSE’ in early years of its operation.

The value of shares and bonds traded in ‘TSE’ in 1967 was IRR 15m, which later on increased to IRR 34.2b in 1978.

In the second phase of ‘TSE’ ’s activities, covering the period 1979-1988, the exchange activities were reduced due to two major reasons, i. e. the economic policies adopted by the government and the Iraqi imposed war on Iran. As a result, the value of shares traded in ‘TSE’, in 1978 (i. e. just almost a year before the Revolution) was limited to IRR 4.1b which by perpetuation of this declining trend reached IRR 9m in 1982. From the latter year onwards, the trend of shares value increased and ultimately hit the figure IRR 9.9b in 1988.

However, in the third phase of TSE’s professional life, commenced from 1989 (which actually can be termed as the revival period of Iran’s capital market) the number of listed companies increased from 56 in 1988 to over 422 in 2006. Moreover, the total annual value of IRR 9.9b shares traded in ‘TSE’ in 1988 soared to IRR 44.8 b in 2006. During this phase, particularly in the period 2001-2004, return of ‘TSE’ investments witnessed an unprecedented growth rate. For instance this rate reached to 131.4 percent in 2003, scoring the highest return among the International Federation of Stock Exchanges (WFE) members in the aforementioned year.

Table 6.3.a.1 Background Highlights of ‘TSE’

|  |  |
| --- | --- |
| 1966 | The Law for the Establishment of the Stock Exchange was approved by the parliament. |
| 1967 | The Tehran Stock Exchange commenced operation on Feb. 4. |
| 1969 | Trade of Treasury and Land Reform bills started. |
| 1972 | Stocks of 23 companies and three bonds were traded at TSE. |
| 1983 | The law for Usury-Free Banking was enacted. Trading in bonds was ceased. |
| 1992 | TSE admitted as a full member of the International Federation of Stock Exchanges. |
| 1995 | TSE joins the Federation of Euro-Asian Stock Exchanges as one of its founding members. |
| 2002 | Capital market physical development occurs; principal steps in dissemination of information, education and development of financial products. |
| 2003 | Listed companies are allowed to issue corporate bonds |
| 2005 | The TSE new law is ratified by parliament. Increase in the number of regional floors to 21. |
| 2006 | TSE Demutualization is accomplished |

b. The Main Structure of Iranian Securities Market

In accordance with the provisions of the current Securities Act, ratified on November 16, 2005, the Securities & Exchange High Council (the Council) and the Securities & Exchange Organization (SEO) are functioning as regulators of Iran’s capital market and the Tehran Stock Exchange (TSE) is legally considered to be a public joint stock company.

In line with the internationally accepted norms of stock market activities, the component parts of the ‘TSE’ are designed in a way to ensure the public transparency and ease of trading as well as the requisite institutional protections against the risk of deviation from those norms.

The ‘Council’ is the highest authority in charge of all relevant policies, market strategies, as well as supervision of the market. The Securities & Exchange High Council chaired by the Minister of Economic Affairs and Finance, embodies the Minister of Commerce, Governor of the Central Bank of Iran, President of the Chamber of Commerce, Attorney General, Chairman of the Securities and Exchange Organization (SEO), representatives of active market associations, three financial experts nominated by the Minister of Economic Affairs and Finance and endorsed by the cabinet, and one representative from each commodity exchange.

Moreover, the ‘SEO’ is entrusted with responsibility to administer and supervise the duties governed by the Board of Directors. The ‘SEO’ ’s Board of Directors are elected by the ‘Council’.

Figure 6.3.b.1 Structure of Iran’s Stock Exchange

The prime objective pursued by ‘TSE’ is to provide reliable facilities for the efficient and smooth conduct of trading securities. ‘TSE’ is also in charge of regulating activities of brokers and safeguard the interests of investors through ongoing trading floor and broker supervision and overall market surveillance.

Furthermore, ‘TSE’ consists of a seven-member Board of Directors that determines the relevant strategies and operating policies. The Board members, elected for a two-year term by the shareholders’ General Assembly, appoint a Managing Director for a renewable two-year term.

c. Roles of ‘TSE’

According to the relevant provisions of its Articles of Association, ‘TSE’ ’s primary roles are, as follows:

 establishing, organizing and running of the Stock Exchange to trade the listed securities;

 listing of securities;

 prescribing membership requirements and supervising their performance, and regulating their activities;

 supervise transactions of the listed securities;

 process and disseminate the information regarding the securities orders and transactions.

d. Company Profile

The capital stock of the company is equivalent to the sum of IRR 150b which is divided into 150m registered common shares of IRR 1,000 each.

Moreover, shareholders of the company are classified, as follows:

Class 1: the persons who have obtained the necessary license for brokerage activities, in compliance with the Stock Exchange Establishment Law, or those who shall receive the license of broker/dealer activities, on the basis of the Securities Act and shall be admitted as the members of the ‘TSE’;

Class 2: the financial institutions other than brokerage firms who shall receive their operation license from the SEO;

Class 3: all persons other than the shareholders specified in the above classes 1 and 2.

The maximum percentage of shares belonging to each category of shareholders are currently 40, 40 and 20 percent, correspondingly, as determined by SEO.

e. Trading System

The following instruments are traded at ‘TSE’:

company shares

participation certificates

exchange settlement certificates

Participation certificates were introduced to the Iranian securities market in 1994 and they operate as Islamic bonds.

Exchange settlement certificates are licenses representing entitlement of part or whole of foreign currency earned from exports of non-oil products. Exporters have the option of exchanging the total foreign currency earned to the local currency (i. e. Iranian Rial) or using the whole or part of it for importation. Furthermore, they might sell these certificates at the ‘TSE’ to anyone who intends to import goods.

f. Trading Hours

All transactions must be carried out on the trading floor using the Exchange’s Automated Trading System (ATS). Trading is conducted for three hours each day from 9:00 a.m. to 12 noon, Saturdays through Wednesdays, excluding public holidays, including a pre-opening period of 30 minutes starting from 08:00 a.m.

Trading floor is open to investors during operating hours and provides facilities, such as large screens displaying real-time trading data. Additional space is available which dominates the trading floor with touch-screen terminals that can be used by investors to monitor the details of buy and sell orders.

g. Trading Mechanisms

The ‘TSE’ is solely an order-driven market and all transactions take place in the manner and under the principles of open auction. There is no minimum trading lots and short selling is not permitted.

All purchase and sale orders are implemented exclusively by authorized brokers on the floor of the Exchange who enter these orders into the trading system.

Subsequently, the system automatically matches buy and sell orders of a particular security based on the price and quantity requirements. The mechanism for which the price of equities is determined is as follows:

the best price (price priority)

time of order priority.

On the basis of the ‘price priority’ rule, a selling (buying) order with the lowest (highest) price takes precedence.

Under the ‘time priority’ rule, an earlier order takes precedence over others at the same price. Therefore, when the lowest sale and the highest buy orders match in price, the transaction is executed at the price.

Meanwhile, the trading system also generates and displays details of current and background trading activity, including prices, volumes traded and outstanding buy and sell orders.

h. Daily Price Fluctuations

On the basis of prevailing rules at ‘TSE’ the price fluctuation is fixed to a maximum 3 percent either way from the last closing. Restriction on Rights is 6 percent. This can be changed in specific situation by the Board of the ‘TSE’, in case of extraordinary price movements.

i. Transactions Types

There are three markets supported by the trading system:

Main Market (ordinary shares and rights)

Secondary Market (ordinary shares and rights)

Corporate Participation Certificates (corporate bonds) Market

Secondary Market, in other words, the Parallel Market, provides an exchange facility where the listed securities of small and medium-sized companies can be traded efficiently and competitively.

Table 6.3.i.1 Trading

|  |  |
| --- | --- |
| Days | Saturday-Wednesday |
| Hours | 9:00-12:00 |
| Market segmentation | Main Market (Main and Secondary Boards), Secondary Market |
| System | Automated Trading System (ATS) (order driven) |
| Mechanisms | Opening/Continuous auction |
| Market-maker/Specialists | Yes (Selective) |
| Instruments | Shares & Rights, Corporate Participation Bonds |
| Currency | Local |
| Real time information | Bid/ask, dosing price, total volume, Total Value company announcements |
| Brokers’ commission | 0.4% of value of transaction, paid 60% by sellers and 40% by buyers, Maximum IRR 100m. |
| Transaction tax | 0.5% by seller |
| TSE Service charge | 0.14% of value of transaction, paid 60% by the sellers and 40% by the buyers, Maximum IRR 200m. |
| CSD Service charge | 0.01% of value of transaction, paid 60% by sellers and 40% by buyers, Maximum IRR 200m. |
| Dividend tax | None |
| Capital gain tax | None |

Source: TSE

j. Clearing and Settlement

The Central Securities Depository of Iran (CSDI) accomplishes clearing and settlement of trading, maintains and transfers the securities as dematerialization and acts as the central registry of Iran’s securities market as well. Imminently, the institution will be benefitting from the new depository software, carrying out clearing and settlement of trading on the basis of DVP and acting as CCP in trade clearings. Moreover, the Central Securities Depository of Iran (CSDI) will be administered as a public joint-stock company, with ‘TSE’, brokers and banks as its shareholders.

Table 6.3.j.1 Clearing & Settlement

|  |  |
| --- | --- |
| Central Depository | Central Securities Depository of Iran (CSDI) |
| Period | T+3 |
| Registered | Yes |
| Settlement | Book entry |
| Clearing | Netting |
| DVP | In the future |
| Risk Sharing | In the future |
| Margin/Lending | In the future |

k. Commissions & Fees

The clients are liable to the following payments, upon accomplishing a transaction at ‘TSE’:

k.1 Brokerage Fees

The brokerage fees for shares and rights are 0.4 percent of the value of the transaction payable by both the sellers and buyers, subject to maximum IRR 100m.

k.2 ‘TSE’ Commission

0.14 percent of transaction value (payable by both buyer and seller) with a maximum of IRR 200m.

k.3 ‘SEO’ Commission

0.1 percent of transaction value (payable by both buyer and seller) with a maximum of IRR 200m.

k.4 Clearing Fee

0.01 percent of transaction value (payable by both buyer and seller) with a maximum of IRR 200m.

k.5 Taxes

The sellers are liable to pay 0.5 percent of the value of the transaction. There are no taxes on Capital Gain.

22.5 percent tax levied on company’s profit and there is no Dividend Tax on shareholders, directly.

l. Trading Procedures

There are 5 steps to be taken while trading at ‘TSE’:

l.1 Open an Account

Investors intending to initiate trading at ‘TSE’ are, preliminarily, required to open a trading and Central Securities Depository (CSD) account with a ‘TSE’ accredited broker.

l.2 Give Order

Give an order to your broker to buy or sell a specified number of shares of a company at the market, at a specified price.

l.3 Placing Order

Your orders are placed into ‘TSE’ ’s fully automated trading system by your broker.

l.4 Matching

‘TSE’’s automated trading system matches buy and sell orders of a particular security based on the price and quantity requirements. All prices are determined by supply and demand through a process of bids and offers.

l.5 Clearing

‘CSDI’ carries out clearing and settlement of trading and uses ‘book on entry’ system to keep track of the movement of shares which arise from trades affected at ‘TSE’.

Moreover, all buy orders are paid in advance and sellers receive the net proceeds within three working days of the conclusion of the deal. The seller’s broker is obliged to complete the relevant formalities and hand over traded shares to buyer within 3 working days.

Table 6.3.l.1 TSE Background Data

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| GDP (billion Rials) | 576,493 | 664,620 | 916,465 | 1,095,305 | 1,406,031 | 1,701,214 | 2,011,150 | - |
| Market capitalization (billion Rials) | 59,705.8 | 76,853.9 | 114,396.8 | 278,916.5 | 411,494 | 352,116 | 349,875 | 423,016 |
| As % of GDP | 10.3% | 11.6% | 12.4% | 25.4% | 29.2% | 20.7% | 17.4% | - |
| Number of listed companies | 306 | 314 | 327 | 370 | 411 | 420 | 320 | 315 |
| Total number of shares listed (million) | 14,862.5 | 17,834.7 | 23,198.3 | 37,069.8 | 62,956.1 | 103,525 | 111,515 | 148,961 |
| Number of new shares issued (million) | 2,422.6 | 2,670.4 | 5,207.5 | 13,871.5 | 25,886.3 | 40,579 | 7,980 | 37,446 |
| Turnover (billion Rials) | 8,752.9 | 8,684.3 | 15,262.4 | 42,630.1 | 104,707.5 | 71,528 | 45,053 | 76,798 |
| Number of working days | 242 | 243 | 243 | 244 | 242 | 243 | 242 | 242 |
| Average daily turnover (million Rials) | 36,169 | 35,737.8 | 62,808.2 | 174,713.5 | 432,675.6 | 294,353 | 186,170 | 317,314 |
| Turnover ratio (%) | 14.7% | 12.7% | 13.3% | 15.2% | 28.3% | 18.7% | 13.8% | 18.2% |
| Number of shares traded (million) | 1,682.1 | 1,693.4 | 3,021.9 | 6,389.9 | 13,626.6 | 16,784 | 11,961 | 24,213 |
| Number of transactions | 680,026 | 641,487 | 810,871 | 1,019,515 | 2,252,972 | 1,363,353 | 1,596.563 | 1,715,988 |
| Number of purchasers | 339,036 | 313,098 | 356,312 | 441,920 | 1,876,278 | 2,225,152 | 1,816,163 | 2,116,052 |
| P/E Ratio | 4.6 | 5.2 | 6.6 | 10.7 | 8.8 | 5.7 | 5.6 | 5.2 |
| Number of individual shareholders | 1,350,000 | 1,600,000 | 1,850,000 | 2,100,000 | 2,500,000 | 2,650,000 | 2,900,000 | 3,200,000 |
| Dividend yield (%) | 18.2 | 15.3 | 11.9 | 7.2 | 7.3 | 10.6 | 9.3 | 12.7 |
| TEPIX (March 1990=100) | 2,883.2 | 3,554.3 | 5,044 | 10,886.5 | 13,543.3 | 10,259 | 10,047 | 9,737 |
| TEDPIX (March 1998=1653.08) | 4,914.7 | 6,987.8 | 11,098.2 | 25,678.6 | 34,109.9 | 28,822 | 31,208 | 34,399 |
| Number of Brokers | 53 | 55 | 56 | 56 | 61 | 69 | 90 | 89 |
| Exchange Rate (US$ vs. IRR) | 8188.1 | 8008.4 | 8018.9 | 8343.9 | 8,795 | 9,093 | 9,221 | 9230 |

Source: TSE

TEPIX=Tehran Exchange Price Index (All Shares)

TEDPIX=Total Return Index

m. Foreign Investment in Iran’s Capital Market

m.1 Indirect Investments

Foreign investors who intend to make an Indirect Investment (Foreign Portfolio Investment) in the Tehran Stock Exchange and manage their own portfolio must fully observe the Regulations on Paragraph C, Article 15 of the Fourth Economic, Social and Cultural Development Plan of Iran, and also the other measures which shall be specified in this section.

The Regulations of Paragraph C of the above-mentioned Article of the 4th ‘FYP’ of Iran were adopted in a meeting dated January 1st, 2005, according to joint proposal of the Ministry of Economic Affairs and Finance and the Central Bank of the Islamic Republic of Iran.

Article 2 of the Regulations state that: ‘to practice as a Foreign Investor in the Stock Exchange, a person must hold a license which shall be issued by the Investment Organization’.

According to the provisions of Article 3 Foreign Investors shall transfer the entire funds into the country and invest in the Stock Exchange, wholly or in part, at most, one year after receiving the license.

Article 4 of the afore-said Regulations provides that Foreign Investors shall be solely authorized to invest in such financial assets as shares of the listed companies, other types of listed securities and any kind of listed Certificate of Participation.

Moreover, the Foreign Investor is required to submit his/her Articles of Association, identification of shareholders with more than 5 percent of entire shares, identifications of his/her senior managers and features of the relevant bank accounts to the Tehran Stock Exchange Brokers’ Organisation (Organization) after the issuance of the aforementioned investment license.

In adherence to the contents of Article 6 of the Regulations Foreign Investor shall present the following information to the latter Organization:

-annual and quarterly reports and financial statements of practice in the ‘TSE’;

-a quarterly list of securities invested on and the value thereof;

-a copy of the entire statements of bank accounts;

-reports to disclose the effective changes in management structure of the investor (for legal entities).

In accordance with Article 9 the maximum number of shares to be purchased in each listed company by all Foreign Investors through one of the following ways of investment, shall not exceed the amount of 10 percent of the total number of the issued shares:

-purchasing shares of the company;

-purchasing Global Depository Receipt of the shares of a company;

-transactions of the shares of the ‘TSE’ listed companies in a foreign stock exchange.

Furthermore, on the basis of Article 10, maximum foreign investment in Certificates of Participation shall not exceed the amount of 10 percent of the total foreign investor’s investable funds. Foreign investment in other types of securities shall comply with the same limits as of investment in shares of the companies.

According to Article 12 of the said Regulations foreign investor shall be allowed, after three years of practice in the Stock Exchange, to transfer abroad the principal investment and related capital gains, observing the Articles of the Foreign Investment Promotion & Protection Act and national regulations of foreign exchanges.

Dividends could be transferred abroad each year. And finally the last Article of these Regulations, i. e. Article 16, provides that ‘limits’ mentioned in the present Regulations shall not include foreign direct investment in purchasing shares of the listed companies’.

m.2 Direct Foreign Investment

In adherence to the provisions of Iran’s Foreign Investment Promotion and Protection Act (FIPPA), foreign investors are entitled to purchase more than 10 percent of listed securities in Iran’s Stock Exchange with the aim of getting profit and gaining access to the management of the listed companies.

To this effect, the application procedure for securing the required investment licensing is designed in a very short and simplified manner, as follows:

-Phase 1. Submission of application to the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI);

-Phase 2. Review of the submitted application by the Foreign Investment Board;

-Phase 3. Issuance of the Draft License to the foreign investor;

-Phase 4. Issuance of the original copy of the Investment License.

In practical terms, the above four phases maybe explained this way:

Phase 1. The provisions of ‘FIPPA’ have made the application procedure for investment licensing very short and simplified, as illustrated below.

Figure 6.3.m.2.1 Procedure of Direct Foreign Investment in Iran

OIETI: FIB (Foreign Investment Board)

Phase 2. ‘OIETAI’ ’s report on the application shall be studied by the Foreign Investment Board (FIB), at most, a fortnight after receipt of the application.

‘FIB’ ’s decision usually is made less than a month.

Phase 3. A draft license will be sent to the foreign investor to ensure his/her consent to the decision of the ‘FIB’; otherwise the applicant’s comments and reservations shall be taken into consideration, before the issuance of the final copy of the investment license.

Phase 4. Upon investor’s confirmation about the draft license, the final copy of the investment license shall be issued by the ‘OIETAI’.

m.3 Steps Required to Make Foreign Investment in ‘TSE’

Step 1. The foreign investor shall go through the phases specified in the previous section concerning ‘Direct Foreign Investment’ in Iran.

Step 2. The foreign investor shall open a special foreign exchange bank account in a branch of Iranian banks. The regulations concerning opening such an account will appear in the next section.

Step 3. Application for issuing a trading code for the foreign investor shall be submitted to ‘TSE’, attached with other required documents, including the certification from the branch of the bank where the necessary foreign exchange bank account is opened.

Step 4. The foreign investor shall select the broker(s) of his/her own choice.

Step 5. The foreign investor shall start trading of the listed securities in the ‘TSE’ through his/her broker(s).

Furthermore, the foreign investors in ‘TSE’ shall take into consideration the following points:

-Upon the request of the foreign investor, the broker(s) shall deposit the net earned fund in the specified foreign exchange bank account-not later than four working days after execution of sell order.

-Withdrawal of funds from the specified foreign exchange bank account shall be permissible only to deposit them in a broker’s bank account for purchasing the ‘TSE’ listed securities.

-Transfer of funds of foreign origin and funds earned by capital gains or dividends shall be accomplished according to the Regulations on the Step 3, Article 15 of the Law on the 4th ‘FYP’ and ‘FIPPA’.

-All dividends shall be directly deposited in the specified foreign exchange bank account. In accordance with the Article 2 of the Regulations on the Step 3 of the above-mentioned Article 15, transfer of annual profit by foreign investors is permissible.

n. Regulations on Opening of Foreign Exchange Bank Account for Foreign Investments in ‘TSE’

**n.1** Should the applicant be present in Iran, the opening of the account shall be accomplished after receiving the required documents, attached with a copy of the license issued by ‘OEITAI’.

**n.2** Should the applicant be absent in Iran, the required process shall be accomplished through coordination between branches or representations of the bank and other Iranian banks or their representations abroad, or in their absence, by the bank agents.

Note 1. Following to any transfer of money to the foreign exchange bank account, the concerned bank shall notify the ‘TSE’ and the ‘OIETAI’ of the amount of money and full identification of the depositor.

Note 2. Should no money be deposited in the account or no deposited money be invested in securities after one year from the opening of the said account, new approval of ‘OIETAI’ shall be necessary to keep the account operational.

n.3 Resources & Uses

n.3.1 Resources

All deposits shall be made through the current bank instruments as foreign exchange bills or bank cheques. The proceeds from selling of securities can be deposited in this account as a new source.

n.3.2 Uses

Purchase of foreign exchange at daily exchange rates and deposit the local currency (IRR) equivalent in the ‘TSE’ or the selected broker’s bank account, following the approval of ‘TSE’.

Note 1. Banks are entitled to open a sub-account in IR Rials for the applicant, in order to facilitate the process of changing foreign exchange for buying securities and changing Rials earned from selling the securities, including the principal investment and dividends.

Note 2. Transfer of foreign exchange earned by selling of securities, including changing the principal investment, capital gains and dividends, shall only be permissible in compliance with the Article 12 and 13 of the afore-said Regulations.

Note 3. The owner of the aforementioned account is entitled to transfer abroad, the whole or part of the amount of foreign exchange, which has not been changed into the local currency for buying securities.

Note 4. In view of the limited fields of activities applied to these accounts, no profit shall be accrued to the same.

o. Investor Code

Subsequent to opening of the aforementioned bank account, an application for issuing a trade code for foreign investor shall be submitted to the ‘TSE’, enclosed with the following documents:

o.1 A letter by the applicant to the ‘TSE’ concerning the issuance of the trading code;

o.2 A letter from the branch of the concerned bank confirming opening of the above-mentioned foreign exchange bank account;

o.3 A copy of the Articles of Association of the applicant and the English translation there of (for legal entities);

o.4 Specifications of the applicant’s senior officers (for legal entities);

o.5 Specifications of owners with more than 5 percent of the applicant’s equities (for legal entities);

o.6 A copy of the passport, certified by the embassy of Iran in the applicant’s respective country (for natural persons);

o.7 A copy of applicant’s registration documents, certified by theembassy of Iran in the applicant’s respective country (for natural persons).

***Application for Issuing Trading Code for Foreign Investors***

**1. Specifications of the Applicant**

*Natural Persons:*

Full Name: ............... Passport No: .............. Nationality: ...….……. Legal Domicile: ..………..…....……….……..…..…...……..…...……. Tel: …….....…. Fax: …..…...…. Email: ..….……..………....…….

*Legal Entities:*

Full Name: .……………………..…... Nationality: ………….……... Legal Domicile: ..………..……..…....……..……..…....………..…..... Tel: ……………... Fax: ………….…... Email: …….……...…...

Information on Authorized Signatories:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Full Name | Position | Tel/Fax/Email | Signature |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
| 3 |  |  |  |  |
| 4 |  |  |  |  |
| 5 |  |  |  |  |

Explain how to sign binding documents:

……………………………………………………………………………………………………………………………………………………

**2. Specifications of the OIETAI License(s):**

|  |  |  |  |
| --- | --- | --- | --- |
| License No. | Date of Issue | Licensed Amount (in cash) | Type of Foreign Exchange |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

**3. Specifications of Directors Managing the Imported Capital**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. | Name | Passport/ Registration No. | Nationality | Relationship | Tel/Fax/ Address |
| 1 |  |  |  |  |  |
| 2 |  |  |  |  |  |
| 3 |  |  |  |  |  |
| 4 |  |  |  |  |  |
| 5 |  |  |  |  |  |

Authority of Director(s) ………………………………………………. ………………………………………………………………………….………………………………………………………………………….

**4. Specifications of the Bank Account, According to Article 7 of the Implementing Regulations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name of  Account Owner | Account No. | Type of Account | Name of  Bank | Name of Branch of the Bank |
|  |  |  |  |  |

Having read all conditions stated in the Tehran Stock Exchange Implementing Regulations and rules and regulations ratified in that Exchange, I (the applicant) undertake the responsibility of any likely false information in this application and also the fully observance of the above-mentioned regulations; otherwise, the Tehran Stock Exchange may act according to relevant rules and regulations.

6.4 Insurance Industry

a. Overview

1931 is regarded as the inception date of the local insurance industry in Iran. In the said year, for the very first time the laws and regulations concerning issuance of licenses for insurance firms were ratified. This development, subsequently, lead to the presence of a group of foreign companies, such as Royal, Victoria, Yorkshire, Eagle Star and Phoenix in the Iranian market.

Later on, the formation of Iran Insurance Company (Bimeh Iran), in 1935, and ratification of the Insurance Act, in 1937, provided the government with the necessary administrative and legal instrument to exert supervision over insurance activities across the country.

Mid-1970s coincided with a boom in the Iranian insurance industry when it gained an unprecedented momentum following the oil price rise in 1973.

12 private insurance companies, two foreign insurance companies and one state-owned firm (i. e. Bimeh Iran) were actively operational during the said period, with the latter one handling all insurance affairs of the public sector organizations and enterprises which totally claimed 75 percent of the market premiums. Moreover, apart from Yorkshire (UK) and Ingosstrakh (USSR) insurance companies which were present all over the country, the private sector included companies such as Alborz Insurance, Iran-Amercia Insurance, Arya and Asia Insurance companies, Dana, Shargh and Hafez Insurance, which the latter was owned by a group of Iranian industrialists and affiliated to Royal Insurance (UK) and Continental Insurance (USA).

Furthermore, there were many licensed foreign agents and brokers, mainly from Germany, France, UK, USA and Japan, in the partnership with local brokers in the Iranian insurance market in 1970s.

Central Insurance of Iran (Bimeh Markazi Iran) was set up in 1971, on the basis of an Act ratified earlier by the Iranian Parliament in the same year. The main objectives behind the establishment of Central Insurance of Iran, inter alia, were:

-to supervise, regulate and expand the insurance industry in Iran;

-to carry out local compulsory reinsurance and to effect inward and outward reinsurance business in both national and foreign markets.

Meanwhile, Bimeh Markazi is in charge of the following tasks and responsibilities:

-to formulate by-laws and regulations and to issue directives deemed necessary for the promotion and proper execution of insurance operation in Iran;

-to gather the relevant information regarding the operation of all insurance firms in the local market;

-to conduct compulsory reinsurance operation;

-to effect Facultative Reinsurance from Iranian and foreign insurance companies;

-to cede reinsurance to Iranian and foreign insurance companies, if deemed necessary;

-to administer and regulate the Bodily Injury Indemnity Fund.

In adherence to the Iranian compulsory reinsurance regulations all insurance companies operating in Iran are required to cede 25 percent of their direct Non-Life business and 50 percent of their direct Life business to Central Insurance of Iran.

Moreover, insurance companies are obliged to offer 30 percent of each of their reinsurance contract to Bimeh Markazi, whenever the former intend to acquire reinsurance coverage from abroad. The terms and conditions in both cases (regarding the foreign partners and Bimeh Markazi) must be the same.

After the Islamic Revolution, in 1979, according to a decision of the Revolutionary Council, the 12 private insurance companies were nationalized and licenses of the foreign insurance companies in Iran revoked.

b. Legal Framework

The main legal reference still governing the Iranian insurance industry is the Establishment Act of the Central Insurance of Iran, passed in June 1971.

In accordance with the provisions of the above-mentioned Act, insurance companies must be set up in the form of public joint-stock companies. The number of shareholders of an Iranian insurance firm may not be less than 10 real or legal persons and all shares must be registered shares.

Foreign insurance companies must secure, primarily, the support and recommendation of Bimeh Markazi Iran and be approved by the High Council of Insurance. Furthermore, they are required to deposit an amount with Bimeh Markazi for both Life insurance and non-Life insurance.

According to previous regulations, foreign insurance companies were entitled to hold up to 20 percent of the shares of an Iranian insurance company, given they secure, initially, the permission of Bimeh Markazi Iran. This permission could be extended to a maximum of 49 percent, with the approval of the High Council of Insurance and the Council of Ministers.

However, the Iranian insurance industry has experienced a great deal of changes, in legal terms, during the past couple of decades, following the government’s constantly increasing leaning on the market economy policies. The details of such developments will be the subject of discussion in the following sections.

c. Market Trends

In the period 2007/08, four state-owned insurance companies operating in Iran, namely, Bimeh Iran,, Asia, Alborz, and Dana as well as fifteen private insurance companies, i. e. Karafarin, Razi, Parsian, Moallem, Sina, Mellat, Hafez, Omid, Saman, Dey, Tose’e, Novin, Amin Re, Iran Moeen and Pasargad generated a total direct premium of IR R 33,829,009m. This figure displayed 27.36 percent rise, in comparison with the previous year.

Table 6.4.c.1 Direct Premium

(Million IRR)

|  |  |  |
| --- | --- | --- |
| **Year** | **Amount** | **Growth Rate(%)** |
| 2003/04 | 12,743,404 | 38.84 |
| 2004/05 | 17,317,627 | 33.89 |
| 2005/06 | 21,529,919 | 24.32 |
| 2006/07 | 26,561,089 | 23.37 |
| 2007/08 | 33,829,009 | 27.36 |

Source: Central Insurance of Iran

Figure 6.4.c.1 Insurance Market Direct Premium

Source: Central Insurance of Iran

Figure 6.4.c.2 Insurance Market Direct Premium-2007/08

Source: Central Insurance of Iran

The penetration rate went up over 1.3 percent and apparently is still approaching a higher rate.

Motor Third Party Liability (T.P.L) with a direct premium of IRR 15,029,687m, or 44.43 percent of the total market premium scored the highest market share followed by Motor (P.D) with IRR 4,161,247m.

Health with direct premium of IRR 2,833,558m, Fire with IRR 2,645,822m, and Life with IRR 1,892,203m, respectively, secured the next ranks among all the business lines.

The total paid losses in this year amounted to IRR 20,824,850m, showing 26.47 percent increase compared with the previous period. Again the highest shares of paid losses were claimed by Motor T.P.L and Motor P.D with 64.96 and 12.17 percent. Health and Life with 9.22 and 3.52 percent of the total paid losses occupied next positions, correspondingly. In 2007/08, the overall market Loss Ratio, i. e. incurred loss to earned premium, with 2.93 unit decrease, was 72.11 percent.

The upward growth rate for paid losses in all but six branches, i. e. Cargo, Motor P.D., Hull, Engineering, Credit, Oil & Energy and Aviation, resulted in the overall 26.47 percent growth for the total paid losses of 2007/08.

The figures concerning the earned premium, incurred loss and loss ratio for the period 2003/04-2007/08 are reflected below.

Table 6.4.c.2 Earned Premium, Incurred Loss & Loss Ratio

(Million IRR)

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Earned Premiums** | **Incurred Loss** | **Loss Ratio (%)** |
| 2003/04 | 11,175,058 | 8,060,264 | 72.13 |
| 2004/05 | 15,086,306 | 11,368,002 | 75.35 |
| 2005/06 | 19,587,968 | 15,378,901 | 78.51 |
| 2006/07 | 23,754,638 | 17,824,124 | 75.03 |
| 2007/08 | 29,962,877 | 21,605,847 | 72.11 |

Source: Central Insurance of Iran

Figure 6.4.c.3 Insurance Market Earned Premium & Incurred Loss 2002/03-2007/08

Source: Central Insurance of Iran

In the period under scrutiny, the insurance industry of Iran issued about 25.6m policies that, in comparison with the period 2006/07, revealed an increase of about 18 percent.

During the same period, by increasing the number of insurance companies to 19 companies til the end of 2007/08, 8,532 agents and 266 official brokers were active in the Iranian insurance industry. Moreover, more than 10,700 persons were full-time employees in the insurance companies.

Table 6.4.c.3 Sales Network in Iranian Insurance Market

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **2005/06** | **2006/07** | **2007/08** |
| Number of Companies\* | 18 | 19 | 19 |
| Number of Branches | 424 | 535 | 557 |
| Number of Brokers | 257 | 263 | 266 |
| Number of Agencies | 7,134 | 3852 | 8,532 |
| Number of Policies | 17,577,905 | 21,695,503 | 25,599,673 |
| Number of Claims | 2,966,143 | 3,489,762 | 3,298,267 |

\* One of the companies is involved in re-insurance business

Source: Central Insurance of Iran

Moreover, it is noteworthy that the share of private Iranian insurance companies from the local market premium has been constantly rising, since the privatization policy of this industry gained momentum in 2003/04.

22.2 percent of the market’s premium and 15.6 percent of its loss was claimed by the private sector in 2007/08.

Table 6.4.c.4 Share of Companies in Insurance Market

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Share of Direct Premium** | | **Share of Paid Loss** | |
| **State Owned Companies** | **Private Companies** | **State Owned Companies** | **Private Companies** |
| 2003/04 | 97.04 | 2.96 | 99.89 | 0.11 |
| 2004/05 | 88.83 | 11.17 | 98.70 | 1.30 |
| 2005/06 | 86.24 | 13.27 | 91.43 | 8.57 |
| 2006/07 | 83.68 | 16.32 | 89.33 | 10.67 |
| 2007/08 | 77.83 | 22.17 | 84.36 | 15.64 |

Source: Central Insurance of Iran

Figure 6.4.c.4 Share of Private Companies in Insurance Market 2003/04-2007/08

Source: Central Insurance of Iran

**d. Status of Iran’s Insurance Industry in the Region**

In the period 2007/08, the share of Iran’s insurance industry from generated premium in the insurance market of the Middle East was 16.2 percent and in the insurance market of the so-called MENA region (i. e. the Middle East and North Africa) was 13.9 percent.

The premium of the Iranian insurance industry being U.S $ 2.9b in 2006/07 rose to U.S $ 3.6b in 2007/08, raising Iran’s rank in terms of premium generation to 46th.

Furthermore, the premium per person increased from U.S $ 40 in 2006/07 to U.S $ 50.2 in the period under study. The insurance penetration rate in Iran was about 1.3 percent in 2007/08.

Table 6.4.d.1 Iranian Share of Direct Premium in Global Insurance Markets

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Share of World Market (in %)** | **Share of Middle East Market (in %)** | **Share of MENA Market (in %)\*** |
| 2003/04 | 0.05 | 11.9 | 10.2 |
| 2004/05 | 0.06 | 13.9 | 11.9 |
| 2005/06 | 0.07 | 14.6 | 12.6 |
| 2006/07 | 0.08 | 15.5 | 13.4 |
| 2007/08 | 0.09 | 16.2 | 13.9 |

Source: Central Insurance of Iran

Figure 6.4.d.1 Insurance Density & Penetration 2003/04-2007/08

Source: Central Insurance of Iran

Table 6.4.d.2 The Rank of Iranian Insurance & Economy in the World

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Iranian Insurance | | | | | | Iranian Economy | | |
| Year | Direct  Premiums\* | Rank | Insurance  Density (Rls)\*\* | Rank | Insurance Penetration (%)\*\*\* | Rank | Gross Domestic Product (GDP)\* | Rank | Exchange rate (Rls) to (USS) |
| 2003/04 | 12743.4 | 46 | 189,673 | 76 | 1.16 | 79 | 1,095,304 | 36 | 8282 |
| 2004/05 | 17317.6 | 46 | 253,657 | 75 | 1.25 | 79 | 1,384,819 | 35 | 8725 |
| 2005/06 | 21529.9 | 46 | 310,341 | 74 | 1.28 | 77 | 1,687,905 | 31 | 9033 |
| 2006/07 | 26561.1 | 46 | 376,775 | 75 | 1.39 | 75 | 2,038,432 | 30 | 9171 |
| 2007/08 | 33829.0 | 46 | 472,242 | 76 | 1.39 | 76 | 2,623,177 | 30 | 9407 |

\* In Billions of Rls

\*\* Premiums per Capita

\*\*\* Direct Premiums divided on GDP

Source: Central Insurance of Iran

e. Reinsurance

In the period 2007/08, the Central Insurance of Iran secured a gross reinsurance premium of IRR 9,095,664m, displaying an increase of IRR 1,931,816m, or 26.97 percent rise over the preceding similar period.

Table 6.4.e.1. Reinsurance Premium Accepted by the Class of Business

(Million IRR)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Class** | **2005/06** | **2006/07** | | | **2007/08** | | |
| **Amount** | **Amount** | **Share (%)** | **Growth**  **(%)** | **Amount** | **Share (%)** | **Growth**  **(%)** |
| Fire | 452,908 | 509,481 | 7.11 | 12.52 | 729,283 | 8.02 | 43.14 |
| Marine Cargo | 232,928 | 254,214 | 3.55 | 9.14 | 306,360 | 3.37 | 20.49 |
| Marine Hull | 31,312 | 20,771 | 0.29 | 33.66 | 38,395 | 0.42 | 84.85 |
| Accident | 283,401 | 338,365 | 5.09 | 26.45 | 470,994 | 5.18 | 31.43 |
| Motor (P.D) | 785,602 | 884,556 | 12.35 | 12.60 | 1,037,392 | 11.41 | 17.28 |
| Motor (T.P.L) | 2,316,675 | 2,893,781 | 40.39 | 24.91 | 3,733,465 | 41.05 | 29.92 |
| Aviation | 111,705 | 118,585 | 1.66 | 6.16 | 123,233 | 1.35 | 3.92 |
| Engineering | 117,252 | 166,161 | 2.32 | 41.71 | 264,609 | 2.91 | 39.25 |
| Oil & Energy | 77,449 | 204,268 | 2.85 | 163.75 | 216,851 | 2.38 | 6.16 |
| Health | 435,169 | 578,777 | 8.08 | 33.00 | 690,314 | 7.59 | 19.27 |
| Others | 294,236 | 360,939 | 5.04 | 22.67 | 538,417 | 5.92 | 49.17 |
| Life | 710,670 | 813,959 | 11.36 | 14.53 | 916,411 | 10.41 | 16.27 |
| Total | 5,849,297 | 7,163,818 | 100 | 22.43 | 9,995,664 | 100 | 26.97 |

Source: Central Insurance of Iran

Moreover, the volume of Non-life reinsurance premium registering a rise of 28.34 percent in comparison with the previous year, reached amount of IRR 8,149,253. The growth rate for Life reinsurance was 16.27 percent in 2007/08.

f. Insurance Activities in the Iranian Free Trade Zones

At a meeting held on August 23,2000, on the basis of the proposal of the Central Insurance of Iran (Bimeh Markazi) and by virtue of Article 28 enclosed to the Law on the Administration of Free Trade-Industrial Zones in the Islamic Republic of Iran, ratified in 1999, the Council of Ministers approved the Regulations on Establishment and Operation of Insurance Institutions in the Iranian Free Trade-Industrial Zones.

Highlights of the said Regulations are as follows:

Insurance and Reinsurance operations in the Free Trade Zones shall take place through institutions that, based on the proposal of the (Zones) Authority and under the provisions of these Regulations, obtain permission from Bimeh Markazi Iran and are registered in one of the following forms:

1.Iranian joint-stock or cooperative insurance companies with real and/or legal Iranian and/or foreign shareholders with registered shares.

2.Insurance Agency and/or Brokerage institutions. Institutions authorized to operate in the Zone, within the framework of these Regulations, are not permitted to provide insurance for people Residing, subjects and matters located in other parts of the country and transport insurance for goods imported to other parts of the country the purchase contract of which is concluded or its Letter of Credit is opened in Iran. Reinsurance transactions are excluded from this Article.

Minimum capital for insurance institutions, insurance agents and insurance brokers are as follows:

1.Direct insurance institutions are to be established with a minimum capital of IRR 15b, at least 50 percent of which must be paid initially.

2.Mutual insurance institutions are to be established with a minimum capital of IRR 200m, at least 50 percent of which must be paid initially.

3.Reinsurance institutions are to be established with a minimum capital of IRR 85b, at least 50 percent of which must be paid initially.

4.Insurance agencies and/or brokerage institutions are to be established with a minimum capital of IRR 3,00m, at least 50 percent of which must be paid initially.

Upon these Regulations, four private insurance and reinsurance companies have been registered in the Iranian Free Trade Zones, and are already active in their professional business. The above-mentioned companies are:

1.Amin Reinsurance Company

2.Omid Insurance

3.Hafez Insurance Company

4.Iran Moeen Insurance Company

g. Status of Foreign Insurance Companies in Iran

Foreign insurance companies have been permitted by the Iranian Council of Ministers to set up contact offices in the mainland, subsequent to amendments to the Regulations authorizing operation of foreign insurance institutions in the Iranian Free Trade Zones. In the Amendment, an additional Note had been affixed to Article 1 of the Regulations on the basis of which insurance companies, registered in Iranian Free Trade Zones, were entitled to set up contact offices across the country to facilitate links with Bimeh Markazi Iran and other concerned organizations. Later on, Bimeh Markazi Iran outlined the appropriate regulations to implement the above Amendment.

Furthermore, the Iranian High Council of Insurance (HCI) approved and published the Regulations on the establishment of contact offices of foreign insurance and brokerage institutions in Iran.

In adherence to the provisions of the latter Regulations passed by ‘HCI’, foreign insurance and brokerage institutions are permitted to open their contact offices in the Islamic Republic of Iran, after securing the approval of Bimeh Markazi Iran. These contact offices are subject to the laws of the I. R. of Iran Government and their operation, as the operation of a legal person, is permitted within the framework of these Regulations and the laws and regulations that govern Iranian insurance industry.

Contact offices are allowed to liaise between their mother company and Iranian insurance institutions to follow up the insurance affairs, to offer technical services and provide insurance technical know-how.

However, they are not permitted to offer insurance and to operate in those fields that are within the exclusive duties of the local insurance institutions.

Bimeh Markazi Iran will supervise the operation of these contact offices, on the basis of its legal duties.

Foreign insurance institutions can dissolve and/or temporarily close their contact offices in Iran, after informing Bimeh Markazi Iran, through legal procedures.

If and when a contact office, at the discretion of Bimeh Markazi Iran, violates the regulations, Bimeh Markazi Iran can highlight the case by sending a notice or a warning or can prevent its further operation by the approval of the President of Bimeh Markazi Iran.

The procedure for establishment, rules of operation and dissolution of contact offices have been formulated and published by Bimeh Markazi Iran within the framework of these regulations.

h. Privatization of 3 State-owned Insurance Companies

In line with the provisions of the General Policies of Article 44 of the Constitution, the three state-owned insurance companies, i. e. Alborz, Dana and Asia are in the process of privatization. These three insurance companies are waiting to be acknowledged eligible to offer their shares to the private sector, after completing the required legal steps. The three aforementioned state-owned insurance companies started the requisite initiatives for their listing in the Tehran Stock Exchange since two years ago.

Besides the preparation of a dozen of documents needed on the basis of Iran’s commercial and financial laws and regulations, revision of the three companies’ Articles of Association and registration of the revised copy by the existing shareholders, are among the measures being implemented before they are qualified for listing in ‘TSE’.

In the meantime the three referred insurance companies are doing their best in cooperation with Bimeh Markazi, to make their potential participation in the ‘TSE’ as much attractive to their clients as possible. Ensuring optimum transparency in the companies’ business operations, further strengthening internal auditing mechanism, removal of the present impediments in some areas of investment; and liberalization of the current centralized tariff system in the public sector insurance industry, to mention but a few, are among the prime targets of the competent decision-markers to further increase productivity, efficiency, effectiveness, and consequently, attraction of these three insurance companies, before their shares are listed in the local Stock Exchange.

CHAPTER 7

Business Environment

in Iran

7.1 Forms and Frameworks of Business Links with Iran

According to current laws and regulations, a foreign enterprise depending on various requirements and conditions, including the nature of its activities, provisions of its own Articles of Association, as well as its business priorities, may adopt various legal frameworks to be represented in the Iranian market. These legal forms and frameworks, each having their particular procedures, requirements and advantages, include:

-Licensing

-Franchising

-Agency

-Joint Ventures

-Branch Office and Representation

-Distribution (including Exclusive Distribution)

-Representation in the Free Trade-Industrial Zones

For detailed information concerning each of the above legal frameworks for establishing a reliable link and, subsequently, conducting business activities, please refer to the relevant chapter 4 of this book.

7.2 Social and Work Environment in Iran

a. Iranians at First Glance

Iranians are a nation known for their hospitality, pleasance, warmth, honesty and integrity in their inter-personal relationship. They are profoundly committed to their social, ethical and religious values and thoroughly proud of their historical heritage. Hence, a first-time visitor to Iran does not even have to leave the Imam Khomeini International Airport, located in the vicinity of Tehran, to get a positive impression of this oriental country. Such a feeling of the new environment would constantly improve as the visitor experiences the first touch of polite and sincere treatment of the stuff in charge of various sections and departments of the airport, such as passport control, baggage claim and the customs.

As you pass through the customs, regardless of your arrival time, you usually come across with a crowd waiting impatiently for their loved ones and guests with bouquets of flowers and video cameras.

Putting behind these emotional scenes marked by hugs, kisses, laughter, and occasionally joyful tears, a sketchy image about this new oriental land is shaped in your mind.

b. Inner-city Transportation System

Since the opening of Imam Khomeini International Airport in Tehran, Mehrabad Airport, situated in the west of the capital city, is mainly used for domestic flights.

However, if you are a foreign arrival, as you pass through the customs and leave the baggage terminal of Imam Khomeini International Airport, you are advised to go straight to the official airport taxi booth where English is prevalently spoken and charges are based on standard tariffs.

It goes without saying that this recommendation is for the visitors who do not expect to be met by friends or business partners at the airport.

In Tehran, besides the Subway (Underground) network, which like many other countries locally is called ‘Metro’, there is a large network of public buses. Moreover, apart from the yellow cabs which navigate all over the city, there is a widespread network of private agencies providing transportation facilities, by phone orders, round-the-clock.

Furthermore, the combination of some shortcomings in the public transportation infrastructures, high population and the frustrating traffic jams in Tehran and other large cities has given way to the formation and emergence of an informal taxi industry consisting of a large navigation of private cars. These street cars provide a quick and inexpensive network of travel throughout big cities and townships. In this system of taxi industry the driver is paid by the distance travelled.

c. Attitude & Behavior

The Iranian people are extremely warm, sincere and hospitable. As you walk in the streets, you would rarely witness violence, aggression or anger. The heartfelt courtesy of an Iranian can be sometimes a bit peculiar and excessive to a newcomer, particularly for those habitual to cosmopolitan modes of life.

The people at work can easily be made into life-time trustworthy friends after a couple of occasions of chats and you should not be surprised to be invited by someone who has just stricken a conversation with you in a public place to visit his family for a meal or to be offered with a gift.

There is strong family ties in Iran, even among distant relatives, despite the rapid pace of urbanization in this country during the past couple of decades.

They love having guests and usually the best furnished room of almost every Iranian household, called the ‘guest room’, is reserved for entertaining their invited guests and, even, unexpected visitors.

Confidence-building is the first step to be taken to develop friendship with an Iranian.

d. Work Procedures and Habits

Despite numerous reforms applied to the work processes and procedures in the public and private enterprises, and the tremendous impacts of modern technologies on people’s individual and collective mind sets, it should be admitted that the management style in Iran still tends to be somewhat command driven.

Since the responsibilities are often entrusted on a hierarchical basis, to promote a spirit of team work in Iran requires adoption and implementation of special initiatives and innovative ideas. A careful understanding and adaptation to the prevailing work environment would bear greater results for foreign businessmen in Iran.

The Iranian workforce predominantly enjoy a deep sense of loyalty and professional commitment to their workplace. Such ethical properties are constantly being consolidated through various measures, including further safeguard of their interests by improvement of the relevant laws and regulations.

As a result of the cordial atmosphere dominating majority number of work places in Iran, there is seldom misunderstanding and conflict between the management and the workforce and occessional demand of a manager for overtime, even on a holiday, often is accepted by the employees without discontent.

e. Recreation

There is plenty of recreational facilities in Tehran and other large cities, such as Isfahan, Shiraz, Tabriz and Mashhad. These facilities are available for activities such as swimming, cycling, horse riding, tennis, squash, golf and football-for which the Iranian passion is unbelievable.

In the winter, several resorts offer skiing in the northern part of Tehran; e. g. Dizin and Shemshak.

Various other activities such as fishing and personal fitness are also at hand.

Moreover, there are numerous museums, art galleries and theatres to visit, but one of the most popular forms of leisure is simply to go hiking in the mountains.

The Iranian historical monuments and palaces, ancient mosques and other internationally renowned sites which some are registered by the UNESCO on its list of human heritage, are among the other tourist attractions of this country.

f. Food

Persian cuisine is basically a product of Iran’s climatic specifications and domestic food stuff. Rice is a dietry staple and meat, mostly lamb, is an essential part in virtually every meal.

Various sorts of herbs are inseparable parts in the Iranian diet, with onions, and sometimes garlic, particularly in the two littoral provinces of the Caspian Sea, i. e. Gilan and Mazandaran, an ingredient of almost every dish. Moreover, dairy products, such as milk, cheese and especially yogurt are among the most popular materials used in preparing the local dishes.

Traditional Persian cuisine tends to favor subtle flavors and delicate preparations such as varieties of Khuresh (stew) and kebobs.

Saffron is the most distinctive spice used, but many other flavorings, including mint, lime and rosewater are common, as are pomegranates and walnuts.

g. Public Holidays

As is the case in majority of Muslim countries, Friday is the weekly public holiday in Iran. However, Thursday is also observed, in addition to Fridays, as part of the weekend in some public and private organizations and companies.

Iranians celebrate several national festive occasions, besides a number of religious events.

Nowruz, the Persian New Year (beginning around 21st March), and birthday of the Holy Prophet and the 12th Imam-Mahdi (PBUH)-are among the most prominent occasions celebrated in Iran.

Nowruz celebration begins on the first day of spring, preceded by fire works on the last Tuesday night of the old year, and is followed by a weekly holiday. It continues until the 13th day of the New Year, which is a day of picnicking in the countryside and public parks.

On religious holidays, such as Eid-ul-Adha, Eid-ul-Fitr and the birthday of the Holy Prophet and Imams, cities and towns sparkle with lights and public places are spectacularly decorated.

7.3 A Brief Review of the Iranian Customs and Social Etiquettes

a. Courtesies

The multi-millennium history of Iran is a unique source of pride for its citizens.

Though the overwhelming majority of Iranians are Muslim, they have however their own characteristic features due to their Aryan origin.

Iranians being among the most knowledgeable people in the west Asia region, are particularly sensitive to distortions of historical facts and evidences; the distorted names attributed, deliberately or sometimes just out of sheer ignorance, to the stretch of water between Iran and the sheikdoms in the south, i. e. the Persian Gulf, is an instance of such sensitivities which should strongly be taken note by non-Iranians while dealing with Iranians.

Furthermore, Iranians are deeply committed to their religious and cultural norms and values. Though conducting debates and inquiries about such matters is usually well received, nonetheless care should be taken not to sound offensive or excessively critical.

Meanwhile, in meeting your Iranian friends or counterparts you should remember that the average Iranian usually avoids the western type displays of affection. This social norm particularly should be taken into consideration in physical contacts between sexes. For instance, in Iran, like some other Islamic and Asian societies, shaking hands between alien men and women is not customary, from the social point of view, and sinful, on the basis of religious norms.

b. Pleasantries

Compliments are prevalently used by Iranians, from various social strata, in daily contacts.

Some of these courtesies may sound a bit strange to a foreigner without background information about the Iranian social etiquettes, such as frequent requests exchanged between and amongst a group of people in front of an entrance or exit to pass first. Persistence on the part of each individual on settling a restaurant bill when there is not a specific host for a group meal is another example of such courteous gesture by Iranians towards each other or a foreigner.

Greetings and appreciations are abundantly exchanged for various reasons and on numerous occasions in a day, within the framework of different ways, words and expressions. Exchange of gifts, regardless of material value, is one of the most popular ways to convey one’s happiness or sense of appreciation to family members, a relative, guest, visitor or counterpart. The packaging of a present should not necessarily be unwrapped in front of the donor.

Reciprocation of such generosity would certainly further deepen the inter-personal bonds.

c. How to Meet the People

The Iranians, as mentioned earlier, are very warm, pleasant and friendly people. Sufficient information about their deep-rooted cultural and social principles would help a foreigner to gain a respectful and courteous attitude towards them.

A solid perception of the indigenous social-cultural environment along with adopting appropriate manners would lead to a long-term relationship with one’s Iranian business partner, culminating in reciprocal benefits.

An Iranian is staunchly committed to his/her personal integrity and good reputation; hence it is strongly recommended that matters related to individual affairs should always be handled tacitly and privately.

d. Negotiation and Bargaining

The Iranians, though generally flexible in their daily life, often take firm position regarding serous issues, such as business dealings.

However, though they may sound a bit tough at the initial stage of negotiations, most likely there is always a way of reaching compromise, if the other side succeed in securing their confidence. Stressing on mutual grounds and long-term benefits and avoiding minor differences would pave the way for ensurance of mutual understanding and trust.

Furthermore, adopting a systematic, transparent and patient approach in negotiations with an Iranian partner would save a non-Iranian businessman from time-consuming and useless debates.

Concerning the issue of bargaining, it should be borne in mind that this tactic may be useful, sometimes, in places such as small shops and traditional bazaars and not in department stores where fixed prices are stuck on articles.

CHAPTER 8

Labour Law &

Regulations

a. Overview

Iranian Labour Law sets the rules of employment in this country. The provisions of this law is compatible and in line with the spirit of internationally acceptable standards governing the industrial relations; since Iran as a member of International Labour Organization (ILO) is a party to most conventions being ratified and under supervision of the said global entity.

From the historical aspect, it should be noted that in adherence to the provisions of the first Constitution of Iran, adopted in 1906, which granted for the very first time equal rights to all Iranian citizens, the Civic Servants Employment Act providing the principal safeguards to the rights of civil servants and labourers was passed by the then National Consultative Assembly (Parliament) in 1922.

Subsequently, the Iranian Parliament addressed the subject of employment contracts within the framework of the Civil Code which was approved in 1928. According to the due provisions of the latter law, the employer and employee relations were divided into two main categories, i. e. Independent Contractors, and the Servants. Based on the relevant legal definitions provided by the aforementioned Code, while the ‘Independent Contractors’ control their own work and are accountable for their own profit and loss, the ‘Servants’ are those who are paid by an employer to perform specific task(s) and act upon the latter’s orders and instructions.

Moreover, following the issuance of a set of regulations by the Council of Ministers in 1936 on minimum hygiene conditions in factories, the very first official Labour Law of Iran was passed on May 18, 1946. However, due to a number of reasons, including the government’s lack of determination to enforce this legislation and ineffective functioning of the Ministry of Labour, to mention but a few, no tangible improvement in the working conditions were accomplished thereafter.

Next, was the ratification of a new version of Labour Law by the Iranian Parliament in 1959 which had been the end-result of the endeavors made by the Ministry of Labour and a group of foreign consultants from 1952 to 1957. This law was actually in force til almost a decade after the advent of the Islamic Revolution, in 1979.

Subsequent to the Islamic Revolution, the new Constitution which was adopted by the overwhelming majority of Iranian citizens in a national referendum, addressed work and labour topics in numerous areas, including the following:

-freedom of work

-elimination of compulsory work

-setting the working hours

-prohibition of exploitation

-acknowledgement of the workers’ right to their earned wages

-prohibition of disturbance of business by third parties

-provision of equal opportunity for all citizens

-provision of the required work equipment to needy workers

-granting interest-free loans for formation of cooperatives

-provision of health and hygiene services

-helping the underprivileged and victims of accident.

As a result of the efforts made by the Islamic Workers Council, the new version of the Labour Law, inspired by the Islamic principles and supporting the workers’ determining role in society, provided them with extensive rights comparable with internationally acceptable norms. Furthermore, the Islamic Workers Council took an effective role in the management tasks of factories and other productive enterprises, such as setting the appropriate criteria for recruitment, job evaluation, promotion, wage structure, productivity bonus, health and safety measures, consumer and housing cooperatives.

These privileges were ultimately incorporated in the new version of the Labour Law of the Islamic Republic of Iran, approved in 1990.

However, the subsequent developments unfolding in Iran’s economic arena following the 8-year-long Iraq imposed war, including the economic liberalization policies adopted and implemented by the government during the so-called ‘Construction Period’, paved the way for a number of compromises in the provisions of the 1990 staunchly pro-labour Labour Law. The communiqué issued by the Ministry of Labour in March 1994 on the legality of ‘fixed terms’ employment contracts, was among the prominent instances of such concessions favoring, relatively, the interests of the private sector employers. In 2004, the Labour Law was amended in such a way to exempt employers with five or fewer workers from a number of its mandatory provisions, thus providing small entrepreneurs a freer hand in their employment obligations.

Moreover, in order to encourage the private sector to undertake a more active role in creating new employment opportunities, the Ministry of Labour took the initiative to draft a new amendment to the current Labour Law intending to making it more adaptable to the free market principles.

b. Iranian Labour Law

The main structure and basic principles of the Labour Law of the Islamic Republic of Iran, consisting of 203 Articles and 121 Notes, were initially ratified by the Expediency Assembly on September 24, 1989. the reason behind the assignment of the tasks of final examination and ratification of this Law to the Expediency Assembly had been due to dispute between the Islamic Consultative Assembly (Parliament) and the Guardians Council over some articles of the proposed bill.

The Iranian Labour Law which later on was the subject to a number of changes and amendments, as explained in the previous section, comprise the following chapters:

chapter one: general definitions and principles

chapter two: employment contracts

chapter three: working conditions

chapter four: safety and labour hygiene

chapter five: apprenticeship and employment

chapter six: workers and societies

chapter seven: collective labour negotiations and contracts

chapter eight: welfare services for workers

chapter nine: dispute settlement forums

chapter ten: high labour council

chapter eleven: fines and penalties

chapter twelve: miscellaneous provisions

According to the contents of Article 1 of this Law, all employers, workers, workshops and production, industrial, service and agricultural institutes are obliged to comply with the provisions of this Law.

Article 2 of the Law provides that a worker is one who works in any capacity against receipt of remuneration, including wages, salary, share of profit and other benefits, at the request of the employer.

In adherence to the provisions of Article 3 of this Law, an employer is a natural person or a legal entity at whose request and account a worker works against receipt of remuneration. Moreover, the managers, officials and, in general, all those individuals who are assigned with the task of administering workshops shall be deemed to be representatives of the employer. An amployer shall be liable to all commitments made by the said representatives towards workers.

On the basis of the provisions of Article 4 of the Law, ‘workshop’ is a place such as industrial, agricultural, mining, construction, transportation, passenger transport, services, commercial and production institutes, public premises and their likes, where the worker performs his work at the request of the employer or his representative. Furthermore, all facilities belonging to a workshop, with regard to the type of the work, shall be considered as parts of the workshop.

In accordance with the provisions of Article 5, all workers, employers, representatives thereof, and trainees, and also the workshops shall be governed by the provisions of this Law.

Meanwhile, in line with the contents of Article 6 of this Law compulsory performance of a specific work by individuals and their exploitation is prohibited.

Moreover, the people of Iran, regardless of their tribal links and ethnicity, shall enjoy equal rights. Colour, race, language and their likes shall not be treated as a privilege, as all people, whether male or female, shall be equally protected by law. This Article also underlines the fact that every person has the right to choose his/her desired occupation, provided that it is not contrary to Islam and public interests and does not infringe upon others’ rights.

Concerning the jurisprudential scope of the Law, Article 188 provides that the individuals covered by the Civil Servants Act or other special employment laws and regulations, and also the workers in family workshops whose work is performed exclusively by the employer and his spouse and blood relatives of first degree shall not be governed by the provisions of this Law. However, the Note below this Article makes it clear that the provisions of this Article shall not preclude performance of other obligations stipulated in various chapters concerning the above-said cases.

Furthermore, upon the proposal of the High Labour Council and approval of the Council of Ministers, the activities related to agricultural sector (Article 189), and small workshops having less than 10 workers (Article 191) may be, respectively, indefinitely or temporarily, exempted from some of the provisions of this Law.

In line with the provisions of Article 203, the Ministry of Labour and Social Affairs and the Judiciary are responsible for the enforcement of this Law.

c. Basic Legal Instruments

The basic Legal Instruments or, in other words, the main sources of the Iranian Labour Law are as follows:

-the Constitution of the Islamic Republic of Iran and its subsequent amendments;

-the Civil Code;

-the decrees and procedures laid down by the Council of Ministers and the Minsitry of Labour and Social Affairs;

-the judiciary cases and verdicts;

-common practices and occupational norms;

-collective bargaining contracts and agreements;

-International Labour Organization;

-the ILO Conventions;

-the ILO Recommendations;

-other relevant international declarations and agreements.

d. Employment Contracts

An employment contract, according to Article 7 of the Labour Law, is a written or oral agreement under which a worker performs a job for the employer against receipt of remuneration for a definite or indefinite period of time. Moreover, while Note 1 below this Article provides that the maximum definite period for jobs of non-permanent nature shall be determined by the Ministry of Labour and approved by the Council of Ministers, jobs of continuous nature, on the basis of Note 2 below the same Article, shall be considered indefinite in case no period is specified in the employment contract.

Article 9 of Labour Law sets the following conditions for the validity of an employment contract:

-legitimacy of the objective of the contract;

-specification of the objective of the contract;

-eligibility of the parties to possess property or to perform the specified work under the law and sharia.

Moreover, all employment contracts are legally binding and valid unless their abrogation is determined by competent authorities.

Article 10 of the Law provides that besides full specifications of the parties, an employment contract must include the following details:

-type of work, vocation or duty to be performed by the worker;

-working hours, holidays and vacations;

-basic salary or wages and other benefits;

-the location in which work shall be performed;

-date of conclusion of contract;

-duration of contract, should the work to be performed for a definite period;

-other matters which are required to be included by the custom and practice of the job or its locality.

Furthermore, a written employment contract is required to be drawn up in four identical copies; one copy shall be provided to the local Labour Office, the worker himself, the employer, and the Islamic Labour Council. However, in workshops where such a council does not exist, the relevant copy of the contract shall be submitted to the workers’ representative.

In line with the provisions of Article 11, the parties to an employment contract may, through mutual consent, determine a period as probation period. This period which must be stated in the contract, shall not exceed one month in case of unskilled and semi-skilled workers, and three months in case of skilled workers. Moreover, in the course of the probation period, either party is entitled to terminate the contract without prior notice and without any obligation to indemnify damages. However, should the employment relationship be terminated by the employer, then he would be obliged to pay the salary for the whole probation period. If such a measure is taken by the worker he shall be entitled to receive salary only for the period of performance of work.

In the meantime, any legal change in the proprietary status of a workshop shall not affect the contractual relations of those workers whose contracts have been finalized and the new employer shall become the successor to the obligations and rights of the former employer.

In accordance with the provisions of Articles 14-19, in cases where performance of obligations of any one of the parties shall be temporarily halted due to reasons such as compulsory military service, force majeure or unpredictable events, academic study leave or detention not leading to conviction, the employment contract shall be suspended. However, after removal of the causes leading to such a temporary suspension, the employment contract shall be revived with due calculation of the previous service record.

Based on the contents of Article 21 of the Labour Law, an employment contract may be terminated in any of the following cases:

-death of worker

-retirement of worker

-total disability of worker

-expiry of duration of definite employment contracts and their non-renewal, explicitly or implicitly

-completion of work in the contracts for specific tasks

-resignation of worker.

However, in the event of termination of the contract, completion of definite works or expiry of definite contracts, the employer shall be required, according to the provisions of Article 24 of the Labour Law, to pay to a worker who has worked on the job for one year or in excess of it under a contract, an amount equivalent to one month salary for each year of continuous or alternate service at the rate of the last salary as severance benefits.

Article 27 provides that should a worker neglect performance of the assigned obligations or breach the disciplinary by-laws of the workshop despite written notices, the employer, based on the opinion of the Islamic Labour Council, shall have the right to terminate the employment contract, and pay to the worker an amount equivalent to one month of the last salary as annuity in addition to his outstanding claims and salary. Moreover, the cases of negligence and the procedures and disciplinary by-laws of the workshops shall be drawn up and approved, as the Note below Article 27 provides, by the Ministry of Labour and Social affairs, upon a proposal to be put forward by the Labour High Council.

e. Emoluments

All official receipts collected by a worker by virtue of the employment agreement, including the wages, salary, family allowances, and housing, food and transport expenses, aid in kind, bonus for production increase and their likes are known as emoluments, as Article 34 of the Iranian Labour Law provides.

However, wages of any sort, i. e. ‘hourly’, ‘commission’ and ‘hourly commission’, comprise the cash amount, aid in kind or their total which are paid to the worker against performance of work. In line with the provisions of Article 36 ‘fixed wages’ consist of the total amount of the wages for the job and fixed benefits payable on that job. Furthermore, benefits and incentives such as housing, food and family allowances, production hike bonus and annual profit share shall not be considered as part of the fixed and basic wages.

Moreover, based on the provisions of Article 37 the wages must be paid at regular interval on working days and during working hours in cash and in the Iranian currency, or through the mutual agreement of the parties by a bank cheque.

Meanwhile, in compensating for equal work performed under equal conditions at a workshop, equal wages must be paid to men and women; and the High Labour Council is obliged to annually determine the minimum wages of the workers in different parts of Iran or in various industries in accordance with such criteria as the inflation rate and the average number of the workers’ family members (Articles 38 and 41). On the other hand, should a worker be indebted to his employer, in accordance with the contents of Article 44 of the Law, only the amount in excess of his minimum wages may be deducted against such indebtedness on a court ruling, which however must not exceed a quarter of the workers’ total wages.

f. Work Duration

In line with the provisions of Article 51 of the Iranian Labour Law apart from the cases excluded by law, the working hours per day must not exceed 8 hours. However, the employer, with the consent of the workers or their representative(s), may set the working hours less or more than the statutory hours on certain days of the week provided that the total working hours does not exceed 44 hours per week.

Furthermore, in hard, hazardous and underground jobs, working hours must not exceed six hours per day and 36 hours per week.

Based on the provisions of Article 55 of the Labour Law shift work is the work which rotates during the month in such a manner that the shifts take place during the morning, afternoon or at night. Workers performing shift work during one month with shifts in the morning and afternoon shall receive 10%, with shifts in the morning and at night, or in the afternoon and at night 22.5% of the wages as shift allowance in addition to the wages.

Moreover, according to Article 58 of the said Law for every hour of night time work, 35 percent in addition to the wages for normal working hours shall be paid to workers.

Meanwhile, assignment of overtime work to workers, under normal conditions, shall be permitted with the consent of the worker and payment of 40% in addition to the wages for every hour (Article 59).

However, overtime work assigned to workers must not exceed four hours per day, other than in exceptional cases, with the mutual agreement of the parties.

Furthermore, assignment of overtime work for the period required to tackle such incidents as prevention of anticipated events or indemnification of the losses caused by these events and resumption of the workshop’s operation in the aftermath of mishaps or natural calamities, shall be permissible on the condition of payment of 40% in addition to the wages for every hour. The maximum overtime in the aforementioned cases shall be eight hours per day, excluding exceptional cases with the mutual consent of the concerned parties.

g. Holidays and Vacations

Friday is the weekly holiday for workers, allowing payment of wages. However, in jobs concerning public services or workshops where, based on the type of work or mutual agreement of the parties, another day is regularly set as a holiday, a specific day shall be determined as the weekly holiday.

The workers who, on any ground, work on Fridays shall receive an amount equivalent to 40% of the wages in addition to their usual wages.

Moreover, should the weekly working days be less than six, wages for the weekly holiday of the workers will be equivalent to one-sixth of the total wages or salary received by them on the working days.

Based on the provisions of Article 63 of the Iranian Labour Law, the Labour Day (May 01) is also regarded as a part of the workers’ official holidays.

Article 64 of the referred Law provides that the annual privileged vacations of the workers, with full wages and including four Fridays, total one month. Furthermore, in line with the provisions of Article 65, the annual privilege vacations of workers engaged in hard and hazardous work are five weeks which, possibly, shall be utilized on two occasions at the end of each six-month periods of work.

h. Maternity Leave

According to the Article 76 of the Labour Law, the maternity leave of female workers shall be totally 90 days which, as much as possible, at least half of the said period of time shall be utilized immediately after delivery. In case of multiple delivery, 14 days shall be added to the period of leave.

i. Employment of Foreign Nationals

In pursuit of the provisions of Article 120 of the Iranian Labour Law foreign nationals are entitled to work in Iran, given they initially hold an entry visa with the right to engage in a specific job, and then secure a work permit under relevant laws and regulations. However, should the foreign national serving the diplomatic and consular missions, the United Nations Organization representation office and its affiliated bodies secure the endorsement of the Ministry of Foreign Affairs of the Islamic Republic of Iran, and correspondents of foreign news agencies and press, on the condition of reciprocity, obtain the confirmation of the Ministry of Culture and Islamic Guidance, then they shall be exempted from the provisions of the above Article 120.

The Ministry of Labour and Social Affairs is the competent authority to issue the Iranian entry visas with the right to engage in specific jobs for foreign nationals.

Article 122 of the afore-said Law stipulates that the Ministry of Labour and Social Affairs may issue, extend and renew the work permits of the following individuals:

-a foreign national with at least ten years of continuous residence in Iran.

-a foreign national having Iranian spouse.

-immigrants from foreign countries, particularly Islamic states and those seeking political asylum subject to holding valid immigration or refugee cards, subsequent to the written approval of the Ministries of Interior and Foreign Affairs.

On the basis of the provisions of Article 121 of the Labour Law work permits shall be issued, renewed or extended for a period not exceeding one year with due consideration of the provisions of this Law.

However, where the interests of national industries demand the immediate employment of a foreign national in an exceptional case, according to the provisions of Article 126 of the said Law, the minister concerned shall notify the matter to the Ministry of Labour and Social Affairs and a temporary work permit shall be issued to the foreign national with the approval of the Ministry of Labour and Social Affairs-without observance of related formalities. The validity of a temporary work permit shall be for a period not exceeding three months, and its renewal shall be subject to confirmation by the Technical Board for Employment of Foreign Nationals.

j. Collective Labour Negotiations and Contracts

“Any matter which, in labour relations, entails formulation of regulations and establishment of criteria through collective negotiations, may be considered as the subject of negotiations provided that the prevailing regulation in the country, including the government’s planned policies, may not have prohibited adoption of decisions on its basis”, asserts Note 1 below Article 139 of the afore-said Law. It further adds: “Collective negotiations must be continued for the purpose of reaching an agreement and amicably settling the disputes with due observance of the dignity of the parties, and refraining from any act that may disrupt the meeting”.

Moreover, for the purpose of holding collective negotiations, the parties may request the Ministry of Labour and Social Affairs to introduce them a neutral individual having expertise in labour matters and capable of bringing about coordination in the negotiations.

However, a collective labour contract is defined by Article 140 of the prevailing Iranian Labour Law as “a written contract that is concluded for setting working conditions between one or more council(s), guild association(s), or legal representative(s) of workers, on the one hand, and one or more employer(s) or their legal representative(s), on the other hand, or between worker and employer associations and high associations”.

Article 141 determines the validity and effectiveness of collective labour contracts on the basis of consideration of the following criteria in the said contracts:

The benefits stipulated in the concluded contract are not less than those provided in the Labour Law.

The embodied provisions of the contract are not contrary to the current laws and regulations and statutory decrees of the government.

Consistency of the contents of the concluded contract with the above two paragraphs is confirmed by the Ministry of Labour and Social Affairs.

In the meantime, the Dispute Probe Board, the Dispute Settlement Board and, ultimately, the Ministry of Labour and Social Affairs are the competent entities acknowledged by Articles 142 and 143 of the Labour Law to deal with any difference of opinion over various Articles of the latter Law, previous contracts or any of the subjects demanded by the parties for concluding a new contract which may lead to work stoppage in the workshop or any deliberate cut in output by the workers.

k. Dispute Settlement Forums

In adherence to the provisions of Article 157 of the Labour Law any dispute between an employer and a worker or an apprentice arising out of the enforcement of the said Law and other labour regulations, training contract, workshop agreements or collective labour agreements shall, at the outset, be settled through a direct compromise between the employer and worker or trainee or their representatives in the Islamic Labour Council. In cases where no Islamic Labour Council exists in a unit, the dispute shall be settled through the workers’ guild society or legal representatives of workers and the employers. Failing to reach an accord, such dispute shall be examined and settled through Dispute Probe and Dispute Settlement Boards in the order stipulated in the Labour Law.

The decisions made by Dispute Probe Board consisting of a representative of the Ministry of Labour and Social Affairs, a representative of workers and a representative of the directors of industries, shall become binding after 15 days from the date of service. Should either party have an objection to the said decision, it will be submitted, in writing, to the Dispute Settlement Board within the aforementioned period. The decision of the Dispute Settlement Board, established with the composition of three representatives of workers and three representatives of employers, shall be final and binding. The time limit set for the adoption of a decision by the Dispute Settlement Boards is, according to Article 162 of the Labour Law, one month after receiving an appeal.

However, in line with the provisions of Article 166 of the Labour Law, the final decisions rendered by the Dispute Settlement authorities shall be implemented through the Verdict Enforcement Department of the Ministry of Justice.