CHAPTER - II
PROFILE OF IRANIAN ECONOMY

It is imperative to know the profile of the economy of the nation before we proceed to research any specific problem of that country. In tune with this principle, the researcher has tried to bring out a profile of the Iranian Economy such an exercise should provide a backdrop for the study. In the following paragraphs, the history of the nation, geography, demographic factors, economy, infrastructural facilities, political system foreign relations are briefly discussed. This would provide a clear historical perspective as well the contemporary situation in the country.

HISTORICAL BACKGROUND

Early History: The first Iranian state was the Achaemenian Empire, established by Cyrus the Great in about 550 B.C. Alexander the Great conquered the empire in 330 B.C. The Greeks were followed by the Parthians, who ruled from 247 B.C. until A.D. 224, and the Sassanians, who ruled from A.D. 224 until the Arabs conquered Iran in A.D. 642. The Arabs brought with them Islam, which eventually became the predominant religion. In the centuries that followed, Iran was ruled by a succession of Arab, Iranian, and Turkic dynasties. In the thirteenth century, the Mongol leader Genghis Khan invaded the disunified territory of Iran, and Mongol dynasties subsequently ruled Iran for nearly two centuries. In 1501 the Iranian Safavis created a strong centralized empire under Ismael I and also established Shia Islam as the official religion. In the eighteenth century, Iran was
weakened by civil wars, new dynasties came to rule, and a new regional rival, Russia, arose.

The Qajars and Pahlavis: In 1795 the Qajar family established a dynasty that would rule Iran until 1925. In the nineteenth century, Iran, under the Qajars, lost much of its territory in the Caucasus and Central Asia to Russia. During this period, influence in Iran was divided between Russia and Britain, Russia’s chief Western rival in the region. Both powers interfered in local politics and forced Iran to make trade concessions. A popular desire for accountable government and resentment of intrusion by foreign interests led to the Constitutional Revolution of 1905–7 and the formation of a parliament. In 1909 the Anglo-Persian Oil Company was formed and assumed control of Iran’s newly discovered oil deposits.

In 1921 army officer Reza Khan provided military support for a coup against the government; he was named minister of defense, then prime minister. Following parliament’s deposition of the Qajar dynasty in 1925, he became shah of Iran, adopting the surname Pahlavi. As Reza Shah Pahlavi, he restored order and sought to modernize the economy and society and to forge cultural links abroad. However, in World War II his failure to cooperate with the Allied powers caused Britain and the Soviet Union to invade Iran and force him to abdicate in favor of his son, Mohammed Reza Shah Pahlavi. In 1951 Mohammad Mossadeq, a deputy in the parliament, rode strong Iranian sentiment for nationalization of the oil industry to a position as prime minister. However, in 1953 Britain and the United States, which opposed the principle of oil nationalization at the time, forced the nationalist Mossadeq from power.
In the 1960s, Iran recovered from the economic disruption of the oil nationalization period, but the authoritarian rule of the shah provoked political discontent.

**The Islamic Republic of Iran:** Following a national plebiscite, an Islamic republic was proclaimed officially on April 1, 1979. During the presidency of Ali Akbar Hashemi Rafsanjani (1989–97), reformists controlled a majority of seats in parliament until 1992 and supported Rafsanjani’s policies for economic reform and the normalization of relations with neighboring countries. The administrations of Rafsanjani’s successor, Mohammad Khatami (in office 1997–2005), encountered the same resistance. Reformists won a majority of seats in the 2000 parliamentary elections and then enacted several notable pieces of reform legislation in the ensuing term. In mid-2005 Dr. Mahmoud Ahmadinejad was elected as president of Iran.

**GEOGRAPHY**

**Location:** Iran is located in the Middle East, between Turkey and Iraq on the west and Afghanistan and Pakistan on the east; it borders the Persian Gulf and Gulf of Oman in the south and Armenia, Azerbaijan, the Caspian Sea, and Turkmenistan in the north.

**Size:** Iran’s total area is nearly 1.65 million square kilometers, of which 1.64 million square kilometers—an area slightly larger than Alaska—is land mass.

**Land Boundaries:** Iran is bounded by Afghanistan (936 kilometers), Armenia (35 kilometers), Azerbaijan proper (432 kilometers), Azerbaijan’s Nakhichevan enclave (179 kilometers), Iraq (1,458 kilometers), Pakistan (909 kilometers), Turkey (499 kilometers), and Turkmenistan (992 kilometers).
**Disputed Territory:** Iran and the United Arab Emirates (UAE) dispute sovereignty over three islands in the Persian Gulf that are occupied by Iran.

**Length of Coastline:** Iran’s coastline includes 2,440 kilometers on the Persian Gulf and Gulf of Oman and 740 kilometers on the Caspian Sea.

**Maritime Claims:** Iran’s territorial sea extends 12 nautical miles and its contiguous zone, 24 nautical miles. The exclusive economic zone claimed by Iran is determined by bilateral treaties or median lines in the Persian Gulf. The maritime border with Iraq along the Shatt al Arab waterway was established by treaty in 1975 as the median line of the deep-water channel, but the final status of the treaty awaits the conclusion of a peace treaty to replace the 1988 cease-fire agreement between Iran and Iraq. In opposition to at least two of the other four littoral states, Iran advocates a division of the bed of the Caspian Sea that would give Iran control of an area about 20 percent greater than the area it would control under a division based on the actual length of each littoral state’s coastline.

**Topography:** Iran has rugged mountain chains surrounding several basins collectively known as the Central Plateau, which has an average elevation of about 900 meters. East of the Central Plateau are two large desert regions, a salt desert in the north and a rock and sand desert in the south. There are lowland areas along the Caspian coast, in Khuzestan Province at the head of the Persian Gulf, and at several dispersed locations along the Persian Gulf and Gulf of Oman coasts.
**Principal Rivers:** Iran has no major rivers. The only navigable river is the Karun, which is 830 kilometers long. Other rivers include the Safid Rud (1,000 kilometers), Kharkeh (700 kilometers), and Zayandeh Rud (400 kilometers).

**Climate:** Iran’s climate is mostly arid and semi-arid, with a humid rain-forest zone along the Caspian coast. Temperatures average 10°–25° C in the winter and 19°–38° C in the summer.

**Natural Resources:** Iran has enormous reserves of oil and natural gas. Oil reserves are estimated at more than 130 billion barrels (third in the world behind Saudi Arabia and Iraq; about 11 percent of world proven reserves), and natural gas reserves are estimated at more than 32 trillion cubic meters (second in the world behind Russia). Mineral resources currently exploited include bauxite, chromium, coal, copper, gold, iron ore, limestone, red oxide, salt, strontium, sulfur, turquoise, and uranium.

**Land Use:** About 11 percent of Iran’s land surface is classified as arable. The most productive agricultural land, bordering the Caspian Sea, makes up about 5.5 percent of the country’s total land area.

**Environmental Factors:** Especially in urban areas, vehicle emissions, refinery operations, and industrial effluents contribute to poor air quality. Between 1985 and 2005, huge increases in energy consumption tripled carbon emissions. Most cars use leaded gas and lack emissions control equipment. Tehran is rated as one of the world’s most polluted cities. The abundance of fossil fuels has discouraged use of alternative fuels. Much of Iran’s territory suffers from desertification and/or deforestation. Industrial and urban wastewater runoff has contaminated rivers and coastal waters and threatened
drinking water supplies. Wetlands and bodies of freshwater increasingly are being
destroyed as industry and agriculture expand, and oil and chemical spills have harmed
aquatic life in the Persian Gulf and the Caspian Sea. Iran contends that the international
rush to develop oil and gas reserves in the Caspian Sea presents that region with a new
set of environmental threats. Although a Department of Environment has existed since
1971, Iran has not developed a policy of sustainable development because short-term
economic goals, particularly support of the oil and gas industries, have taken precedence.

**Time Zone:** Iran lies in one time zone, which is three and one-half hours ahead of
Greenwich Mean Time.

**SOCIETY**

**Population:** Iran’s population is about 70 million according to preliminary data from the
decennial census conducted in late 2006; of that number, approximately one-third is rural
and two-thirds urban. Urbanization has been steady; in 1976 only 47 percent of the
population lived in urban areas. Population density averages 42 people per square
kilometer, but with significant regional variations. In 2008 the estimated annual
population growth rate was less than 1 percent (0.79 percent). Net migration in 2008 was
an estimated –3.28 persons per 1,000 population. In 2006 Iran hosted more than 660,000
Afghan and 54,000 Iraqi refugees.

**Demography:** According to a 2008 estimate, 22.3 percent of Iran’s population is 14
years of age or younger, and only 5.4 percent is 65 and older. The median age is 26.4
years. There are 1.03 males for every female. Estimated life expectancy is 70.86 years
overall (69.39 years for men, 72.4 years for women). The birthrate is 16.89 per 1,000; the
death rate, 5.69 per 1,000; and the infant mortality rate, 36.73 per 1,000 live births. The fertility rate remains at about 1.7 children born per woman, a significant reduction from the estimated rate of 7.0 in 1979.

**Ethnic Groups and Languages:** The main ethnic groups in Iran are Persians (65 percent), Azerbaijani Turks (16 percent), Kurds (7 percent), Lurs (6 percent), Arabs (2 percent), Baluchis (2 percent), Turkmen (1 percent), Turkish tribal groups such as the Qashqai (1 percent), and non-Persian, non-Turkic groups such as Armenians, Assyrians, and Georgians (less than 1 percent). Persian, the official language, is spoken as a mother tongue by at least 65 percent of the population and as a second language by a large proportion of the remaining 35 percent. Other languages in use are Azeri Turkish and Turkic dialects, Kurdish, Luri, Arabic, and Baluchi. Azeri and Kurdish autonomy movements arose in the 1940s, and a Kurdish autonomy movement was active in the period 1979–83.

**Religion:** The constitution declares Shia Islam to be the official religion of Iran. At least 90 percent of Iranians are Shia Muslims, and about 8 percent are Sunni Muslims. Other religions present in Iran are Christianity (mainly Armenians and Assyrians, more than 300,000 followers), the Baha’i faith (at least 250,000), Zoroastrianism (about 32,000), and Judaism (about 30,000). The constitution recognizes Christianity, Judaism, and Zoroastrianism as legitimate minority religions.

**Education and Literacy:** In 2003 the literacy rate of the population was 79.4 percent (85.6 percent for males and 73 percent for females). Under the constitution, primary education (between ages six and 10) is compulsory, and primary enrollment was nearly
98 percent in 2004. Secondary school attendance is not compulsory. Hence, enrollment rates are lower—about 90 percent for middle school and 70 percent for high school in 2004. Primary, secondary, and higher education is free, although private schools and universities charge tuition. The majority of Iran’s 113,000 pre-collegiate public schools are single-sex beyond kindergarten. Universities are coeducational. By 2004, Iran had more than 200 public and more than 30 private institutions of higher education, enrolling a total of nearly 1.6 million students. The largest and most prestigious public university is the University of Tehran. The largest private university is the Islamic Free University.

Health: The overall quality of public health care improved dramatically after the 1978–79 Revolution because public health has been a top priority of the government. The constitution entitles Iranians to basic health care, and most receive subsidized prescription drugs and vaccinations. An extensive network of public clinics offers basic care at low cost, and general and specialty hospitals operated by the Ministry of Health provide higher levels of care. In most large cities, well-to-do persons use private clinics and hospitals that charge high fees. Specialized medical facilities are concentrated in urban areas, but rural communities have relatively good access to primary care physicians at clinics in villages, where the government-sponsored primary health care system has raised the level of health education and prenatal care since the late 1990s. Immunization of children is accessible to most of the urban and rural population. In the early 2000s, estimates of the number of physicians varied from 8.5 to 11 per 10,000 population. About 46 percent of physicians were women. There were about seven nurses and 11 hospital beds per 10,000 population. Some 650 hospitals were in operation. In the early 2000s,
about 65 percent of the population was covered by the voluntary national health insurance system. More expensive private health insurance plans also were available.

**Welfare:** Iran’s Ministry of Social Affairs supervises public programs for pensions, disability benefits, and income for minor children of deceased workers. Welfare programs for the needy are managed by more than 30 individual public agencies and semi-state organizations, as well as by several private nongovernmental organizations. In 2003 the minimum standard pension was 50 percent of the worker’s earnings but not less than the amount of the minimum wage. Iran spent 22.5 percent of its 2003 national budget on social welfare programs. More than 50 percent of that amount covered pensions. Considering all social welfare programs available, urban residents benefit more than the rural population. Government workers are eligible for sickness, maternity, and work injury benefits, but few private employers provide these benefits. The Imam Khomeini Social Assistance Committee and other semi-public foundations supply such benefits to some workers. In late 2005, President Dr. Ahmadinejad formed the Reza Love Fund to provide financial assistance to young couples seeking financial stability.

**ECONOMY**

**Overview:** Iran’s economy is dominated by the oil industry, which is part of the state sector. In the early 2000s, more than 80 percent of export earnings came from oil and gas. The state also owns and administers several large industries. The private sector includes automobile, textile, metal manufacturing, and food-processing factories as well as thousands of small-scale enterprises such as workshops and farms. The economic reform programs of presidents Ali Akbar Hashemi Rafsanjani (in office 1989–97) and
Mohammad Khatami (in office 1997–2005) aimed at making Iranian industry more competitive internationally. Measures included selling off government enterprises, reducing subsidies, creating an equitable income tax system, and cutting high tariffs that protect local manufacturing from foreign imports. Traditional import-export merchants, collectively known as the bazaar, also occupy an influential place in economic policy making. Because export earnings from oil and gas accrue to the government as revenue, world prices for those commodities have a major impact on Iran’s budget. Government economic planning is based on five-year development plans, the fourth of which began in March 2005. Although economic diversification has been a goal in the early 2000s, little progress has been made in that direction.

**Gross Domestic Product (GDP):** In 2007 Iran’s GDP (at the official exchange rate) was estimated at US$278.1 billion; GDP in terms of purchasing power parity (PPP) was US$852.6 billion, or US$12,300 per capita. The estimated GDP growth rate was 4.3 percent. Industry contributed an estimated 45.3 percent, services 43.7 percent, and agriculture 11 percent of GDP.

**Inflation:** The government’s anti-inflationary policies have reduced inflation from the average rate of 23 percent in 1977–98. The official rate was 15.8 percent in 2006 and an estimated 17 percent in 2007.

**Agriculture:** Iran’s diversity of terrain and climate enable cultivation of a variety of crops, but in 1998–2000 severe droughts cut agricultural production. Output has recovered slowly since, although many villages in eastern Iran have been abandoned, and consequently the area under cultivation has decreased since 2000. In the early 2000s,
about 20 percent of Iran’s arable land remained uncultivated. Iran is a net importer of grains, especially rice and wheat, and a net exporter of fruits, nuts, and various specialty crops. Iranians grow a variety of crops, most notably wheat, barley, rice, pistachio nuts, cotton, sugar beets, and sugarcane. About one-third of agricultural income comes from livestock, chiefly chickens, sheep, beef cattle, and dairy cows. With the exception of sheep and goats, which graze on open rangeland, most livestock is raised in fenced pastures.

**Forestry:** Iran has only about 7 percent forest cover. The major commercially useful forests are located in the Alborz Mountains in the north, especially on the southern slopes above the Caspian Sea coast. Smaller forests, principally of oak and other deciduous trees, are scattered throughout the Zagros Mountains in western and central Iran. Iran is a net importer of timber products. Illegal clear-cutting and clearing for agriculture have depleted forests in the Alborz, and illegal harvesting of trees has hindered government replanting programs. In 2003 the timber industry produced about 13 million cubic meters of wood products, of which about 37 percent was pulpwood and 24 percent logs.

**Fishing:** Iran has a long tradition of fishing in the Caspian Sea, in the Persian Gulf, and on inland rivers. The government company Sheelat establishes fishing quotas and buys fish for processing. Most of the actual fishing is undertaken by small-scale, private fishermen. The most economically important product of the fishing industry is caviar from Caspian Sea sturgeon. In the 1990s, the sturgeon catch declined as a result of over-fishing and poaching. Iran has an aggressive fish nurseries program aimed at reversing the decline in Caspian fish stocks. Other products of the fishing industry are tuna, the
sardine-like kilka, trout, and shrimp. In 2004 catches totaled more than 330,000 tons of fish.

Mining and Minerals: In 2006 Iran produced more than 15 different nonradioactive metals and 27 nonmetal minerals. The mined products yielding the greatest value were iron ore, decorative stones, gravel and sand, coal, copper ore, and limestone. The fastest growing nonpetroleum extraction industry is copper. Iran has an estimated 4 percent of the world total of copper.

Industry and Manufacturing: Iran’s most important industries are those associated with the extraction and processing of oil and gas. Iran’s manufacturing output was reduced during the 1978–79 Revolution, but the 1980–88 war with Iraq had the indirect consequence of increasing industrial production. In the 1990s, low private investment levels hindered growth, although government expenditures based on revenues from high world oil prices stimulated public investment and also directly stimulated consumer demand and the petrochemicals industry. The petrochemicals industry has grown rapidly in the early 2000s; the Fourth Economic Development Plan (2005–10) calls for a major expansion of annual petrochemical output, from 9 million tons in 2001 to 27 million tons by 2015. The steel industry, centered in Ahvaz, Esfahan, and Mobarakheh, also has grown rapidly since 1990. The output goal for 2004 was 8.5 million tons. Automobile manufacture has benefited from licensing agreements with European and Asian manufacturers. In 2002 the largest plant, Iran Khodro, built about 260,000 units, and several smaller facilities produced a total of about 240,000 vehicles. Processing of agricultural products also is an important industry and is dominated by domestic private firms. Among the major subsectors are grain processing and fruit and vegetable canning.
The textile industry, based on domestic cotton and wool, employed about 400,000 people in 2000. The construction industry has grown rapidly since 2000 because of government investment in infrastructure projects and increased demand for private housing. Throughout history, Iranians have been involved in handicraft activities, producing a variety of products, most notably carpets.

**Energy:** Iran possesses abundant fuels from which to generate energy, ranking second in the world in natural gas reserves and third in oil reserves. Nevertheless, in 2005 Iran spent US$4 billion dollars on fuel imports, mainly because of inefficient domestic use. Oil industry output averaged about 4 million barrels per day in 2005 and 2006, compared with the peak output of 6.6 million barrels per day reached in 1976. In the early 2000s, industry infrastructure was increasingly inefficient because of technological lags.

Natural gas output in 2006 was 105 billion cubic meters. A large share of Iran’s natural gas reserves are believed to remain untapped, although gas already accounted for nearly one-half of energy consumption. With massive government investments planned, the share of gas in energy production was expected to rise quickly in ensuing years.

By 2004 the addition of new hydroelectric stations and the streamlining of conventional coal- and oil-fired stations increased installed capacity to more than 39,000 megawatts. Of that amount, in 2006 about 50 percent was based on natural gas, 18 percent on oil, and 6 percent on hydroelectric power. In 2004 Iran opened its first wind-powered and geothermal plants, and the first solar thermal plant was to come online in 2009. Demographic trends and intensified industrialization have caused electric power demand to grow, averaging 5 percent per year from 1967 to 2004 and projected to
average 7 percent per year from 2005 to 2010. The government’s goal of 53,000 megawatts of installed capacity by 2010 is to be reached by building new gas-fired plants financed by independent power producers, including those with foreign investment backing, and by adding hydroelectric and nuclear power generating capacity.

Services: In the financial sector, Iran’s banking system was nationalized in 1979. Private banks were not authorized to reopen until the early 2000s, when some small private credit institutions appeared. All state and private banks are strictly overseen by the Central Bank of Iran, also known as Bank Markazi. Wealthy Iranians use foreign banks, especially for savings accounts. The Fourth Economic Development Plan (2005–10) calls for the introduction of foreign banks, but such a move has met with substantial resistance. The trading of shares on the Tehran Stock Exchange was limited between 1979 and 1986, but activity has increased sharply since 2002. In 2007 some 364 companies were listed on the exchange, up from 164 in 1996. The tourism industry was disrupted by the 1978–79 Revolution and the Iran–Iraq War (1980–88) but began to revive in the 1990s. In 2004 some 700,000 foreign tourists visited Iran. The Fourth Economic Development Plan calls for the number of foreign tourists to increase to 2.5 million annually.

Labor: In 2007 Iran’s labor force totaled 28.7 million. An estimated 14 percent of the labor force was unemployed; the unemployment rate was much higher among younger workers. Underemployment also was common. The Fourth Economic Development Plan, which began in 2005, aimed to create 700,000 new jobs per year, but unemployment remained unchanged during the first year of that plan. Skilled labor has been in short supply. In 2007 about 45 percent of the labor force was employed in services, 31 percent
in industry, and 25 percent in agriculture. In 2005 the minimum wage was about US$120 per month. That level provoked substantial labor unrest in 2005.

**Foreign Economic Relations:** In 2000, members of the European Union have continued to trade with Iran, but Western countries have blocked the export to Iran of dual-use items, such as computer equipment, with potential military applications. In the early 2000s, China emerged as an important trade partner in both imports and exports. Japan retained the position that it assumed in the mid-1990s as Iran’s best export customer. In order of volume, the main purchasers of Iran’s exports in 2006 were Japan, China, Turkey, Italy, South Korea, and the Netherlands. In order of volume, the main source countries for Iran’s imports in 2006 were Germany, China, the United Arab Emirates, France, Italy, South Korea, and Russia. The main commodities imported are basic manufactures, chemicals, food (chiefly rice and wheat), and machinery and transport equipment. The main commodities exported are petroleum, carpets, chemical and petrochemical products, fruit and nuts, iron and steel, natural gas, and copper.

**Foreign Investment:** In the early 2000s the Iranian government liberalized investment regulations. In the early 2000s, foreign investors have concentrated their activity in a few sectors of the economy: the oil and gas industry, vehicle manufacture, copper mining, petrochemicals, foods, and pharmaceuticals. Iran’s constitution prohibits direct concession of petroleum rights to foreign investors. In the 1990s and early 2000s, some indirect oilfield development agreements were made with foreign firms. The most active investors have been British, French, Japanese, South Korean, Swedish, and Swiss companies.
**Currency and Exchange Rate:** The value of the rial, Iran’s unit of currency, declined substantially between 2002 and 2005. In 2002 a multiple exchange rate was replaced by a single floating rate. The average exchange rate per US$1 was 9,227.1 rials in 2006 and 9,407.5 rials in 2007. In mid-May 2008, the exchange rate was approximately 9,255 rials to the U.S. dollar. The tuman, which is worth 10 rials, is the preferred unit of currency in commerce.

**Fiscal Year:** In accordance with the Iranian calendar year, the fiscal year begins March 21 and runs through March 20.

**TRANSPORTATION AND TELECOMMUNICATIONS**

**Overview:** Constant construction and expansion of the road and rail networks, even during the Iran–Iraq War (1980–88), have resulted in an overland transportation system that is adequate for freight and passenger demands. Ports destroyed during the war have been rebuilt, and new ones on the Caspian Sea and Persian Gulf have been developed. Air transportation is relatively inexpensive, and all large cities and many smaller ones have airports with regularly scheduled daily flights.

**Roads:** In 1925–41, a construction program provided Iran with a national road system, which expanded in the 1960s and 1970s. After the 1978–79 Revolution, road construction programs focused on connecting rural areas to provincial cities. Since 1989, road construction has stressed ring roads around large cities and multilane highways between major metropolitan areas. In 2003 Iran had a total of 100,000 kilometers of paved roads and nearly 80,000 kilometers of graded, unpaved roads. The three national auto routes are the A–1 across northern Iran from the Turkish border in the west to the Afghan border in
the east, and connecting Tabriz, Tehran, and Mashhad; the A–2 across southern Iran from
the Iraqi border in the west to the Pakistani border in the east; and the Tehran–Qom–
Esfahan–Shiraz highway, which traverses central Iran from north to south. Beginning in
the mid-1990s, subsidized gasoline supplies and increased domestic automobile
manufactures have spurred overcrowding of the road system.

**Railroads:** The rail system, which originally was constructed in the 1920s and 1930s, has
been undergoing constant expansion since 1989. In 2006 Iran had a total of 8,367
kilometers of rail lines. Only 13 of Iran’s 30 provinces had railroad service in the early
2000s. The five main lines of the national system radiate from Tehran: one runs south to
Khorramshahr and Abadan at the head of the Persian Gulf; one runs south to the Strait of
Hormuz at Bandar-e Abbas; one runs southeast to Kerman, with a route under
construction farther east to Zahedan, which already is connected to the Pakistan State
Railways; one runs east to Mashhad, connecting with the Central Asian system on the
Turkmenistan border and including a spur to the eastern side of the Caspian Sea; and the
fifth line runs northwest to Tabriz and the border with Turkey, where it connects to the
Turkish State Railroad and includes a spur north of Tabriz to Azerbaijan’s Nakhichevan
enclave. Tehran also has a combined underground and surface rail commuter system, and
metro rail systems are under construction in Esfahan and Shiraz.

**Ports:** In 2004 about 53 million tons of cargo were unloaded and 30 million tons loaded
at Iran’s 14 ports. More than one-third of total traffic came through Bandar-e Abbas on
the Strait of Hormuz. The main oil terminal is at Khark Island, located 25 kilometers
offshore in the northeastern Persian Gulf. Since 1992, Caspian ports have handled more
trade as commerce with the Central Asian countries has increased. Modernization
projects are underway at Bandar-e Anzali on the Caspian Sea and at Chabahar on the Gulf of Oman. The national Islamic Republic of Iran Shipping Lines (IRISL) has routes in the Persian Gulf and Caspian Sea and carries cargo to Europe and the Far East.

**Inland Waterways:** In 2006 Iran had 850 kilometers of inland waterways. The most important is the 193-kilometer-long Shatt al Arab (Arvanrud in Persian), which is formed in Iraq by the confluence of the Tigris and Euphrates rivers. The Shatt al Arab then forms the Iran–Iraq border until it flows into the Persian Gulf. The ports of Abadan and Khorramshahr are located along the Shatt al Arab.

**Civil Aviation and Airports:** In 2007 Iran had 331 airports, 129 of which had paved runways. Of those, 41 (40 paved and one unpaved) had runways 3,000 meters or longer. International airports are located at Tehran, Tabriz, Mashhad, Bandar-e Abbas, Bushehr, Esfahan, and Shiraz, and on the islands of Kish in the Persian Gulf and Qeshm in the Strait of Hormuz. In 2004 Iran’s airports served about 4.3 million international passengers, about two-thirds of whom flew on domestic airlines. Imam Khomeini International Airport in Tehran has an annual capacity of 6.5 million passengers, but its final design capacity is 40 million passengers and 700,000 tons of cargo. Plans call for a gradual expansion of services. In 2006 the national airline, Iran Air, served 25 cities in Iran with connections to the Persian Gulf and European and Asian cities; it operated a fleet of 36 aircraft and employed about 12,000 workers. The second-largest carrier, the private Asseman Airlines, connects the largest domestic cities with destinations on the Persian Gulf and elsewhere in Asia. In 2007 some 14 heliports also were in operation.
Pipelines: In 2007 Iran had 19,161 kilometers of natural gas pipelines, 8,438 kilometers of oil pipelines, 7,936 kilometers of pipelines for refined products, 570 kilometers of pipelines for liquid petroleum gas, and 397 kilometers of pipelines for gas condensate. Iran’s central pipeline infrastructure is designed for the distribution of natural gas for domestic use and for the domestic transit of oil, including from offshore oil fields to processing centers. That structure has been supplemented as the natural gas industry and the fuel export industry expanded. Since 2000 several new natural gas pipelines have been planned; some have failed because of geopolitical considerations (for example, U.S. opposition to a key Iranian role in delivering Central Asian oil and gas to the West), and some, such as the gas export line from Iran to Turkey, function at reduced capacity. In 2006 plans called for new pipelines to exploit markets in Armenia and Pakistan. In 2007 a new 160-kilometer line to Armenia began operations. However, a 2,600-kilometer line to Pakistan, which potentially also could supply India, remains in the negotiation stage.

Telecommunications: Most phases of telecommunications services are controlled by the state. Between 1995 and 2006, the number of telephone landlines increased from 86 to 330 per 1,000 population. A large-scale modernization program, backed by heavy state investment, has aimed at improving and expanding urban service and reaching rural areas that lack telephone service. In 2006 Iran had nearly 22 million main telephone lines in use, and an estimated 13.7 million subscribers had mobile telephone service. Internet use expanded rapidly in the early 2000s from an estimated 250,000 users in 1999 to an estimated 7.5 million users in 2005. The Telecommunications Company of Iran estimated that Iran would have 25 million Internet users by 2009. However, the state filters Internet content intensively.
GOVERNMENT AND POLITICS

Political System: Following the Islamic Revolution of 1978–79, a national referendum approved a new constitution; several amendments were approved in 1989. According to that constitution, the Islamic Republic of Iran is a republic with nominal separation of powers among the executive, judicial, and legislative branches. The senior figure in the system is the faqih (leader), an expert in religious law, who is referred to in the constitution as the Leader of the Revolution. The constitution named Ayatollah Khomeini as the first faqih by virtue of his leading role in the 1978–79 Revolution. Leaders are elected by a majority vote of the Assembly of Experts, a body of senior clergymen who are elected in national elections. The Assembly of Experts elected then president Sayyid Ali Khamenei to succeed Ayatollah Khomeini in June 1989. The legal system is based on sharia (Islamic law).

Legislative Branch: The legislative branch consists of a parliament, or Majlis, and the Guardians Council. The Majlis comprises 290 deputies who are elected to four-year terms on the basis of universal suffrage. Five of these seats are reserved for special representatives of officially recognized religious minorities: two for Armenian Christians and one each for Assyrian Christians, Jews, and Zoroastrians. In 2005 some 12 women held seats. The speaker presides over parliament, assisted by two deputies and a system of 22 permanent committees. Select committees also can be established when necessary.

Administrative Divisions: Iran is divided into 30 provinces. The provinces are subdivided into counties (321 in 2007), districts, and villages.
**Provincial and Local Government:** Each province is administered by a governor general appointed by the central government. The governor general, in consultation with the Ministry of Interior, then appoints the governor of each county in the province and, in consultation with the latter, the chief of each district. At the local level, directly elected city and village councils have exerted substantial authority since the first local elections in 1999. Conservative candidates swept most of the local council elections held in 2003, but moderates won the majority of local council seats in the 2007 elections.


From the above analysis it is amply clear that throughout history, Iranians have been involved in handicraft activities, producing a variety of products, most notably carpets. In the ensuing chapter a perspective view of carpet industry of Iran is presented.