INTRODUCTION

What is the importance of foreign trade? Why does it take place? Does foreign trade provide benefits to countries? How does foreign trade as an engine of growth operate? What is the impact of foreign trade of an economy on its economic growth rate and its structure? These are some of the most important question that economists are faced with and endeavour to answer.

During the last recent decades, economists had often argued that generally, foreign trade is beneficial. Such observations are based on the fact that most countries today are participating in international trade. They have been able to export some goods, services and raw materials in one hand, and on the other, they import some other products, which they require. Because of geographical and technological conditions, each country can produce only some limited goods and services effectively and thus the necessity to participate in foreign trade.
It is also argued that through international trade the lack of mobility of factor production and the differences between costs across nations are compensated. Foreign trade also is supposed to have a favourable impact on domestic employment, technical changes and growth rate of each country. Thus by participating in international trade each national economy is supposed to allocate its resource more efficiently by concentrating on those activities that is best suited to produce based on comparative advantage.

World trade has increased dramatically during recent decades. The growth rate has been considerably faster than of total world production. As a result however, some degree of economic interdependence between countries has become more significant and dominant. Thus, the growth rate of a majority of countries also has been depending on others through international trade. However, for most developing countries, this dependency has been one sided, against their favour. Economists have argued that developing countries in the (1950s-60s) lost their share in international trade. Each country on the basis of its needs, technological characteristics and thus comparative advantage, enters into foreign trade expecting full and equal benefits. However, most developing countries have not been successful in
achieving these expectations. Interference of imperialistic countries and multinational companies in foreign trade have had led to unfavourable conditions in terms of trade. Industrially advanced countries have considered the developing countries as producers of raw materials and also as a market for consuming their goods and products. Their involvement in international trade has thus exposed them to exploitation. During the last decades, super-power countries and multinational companies have imposed unfavourable conditions on international trade. Countries which depend on few items of exportable are doubly exploited, especially when there is a slump in the world market for these products.

Iran is one of the developing countries that provide an evidence of inequality in foreign economic relations with advanced industrialised countries. Iran's initial trade relations with these countries started long after, the former had experienced industrial revolution. Hence, on the one hand, the mass production and exports of manufacturing products was the main characteristic of these trade partners. On the other hand, Iran remained a rich source of mineral resources particularly oil and gas. Thus, the country remained an undeveloped agricultural country. The lack of infrastructural facilities and know-how often resulted in a shortage in
domestic supplies, even for exportables and subsequently in a deficit in balance of payments. These situations forced the government of Iran to grant various concessions to foreigners hoping to encourage and promote the economically productive sectors in the economy.

The abundance of oil provided a comparative advantage to Iran in foreign trade. But because of the lack of initial capital to invest and a total absence of technical know how, it could not venture into the exploration and extraction of oil so as to avail of its comparative advantage. By the later decades of the last century, Britain and Russia found themselves in competition to secure concessions in various sectors of oil production of Iranian economy. The foreign companies' sole goal of profit maximisation with many of the imperialistic trails obviously did not pay attention to the growth and development of the country.

The people of Iran were deprived of their fair and legitimate share in the oil business. The huge foreign exchange that was earned from the export of oil was crucial for the economic development of the country. Considering the fact that more than eighty percent of foreign exchange revenues of Iran was obtained by the sell of oil and gas, this explains the importance of the
role of oil not only in the foreign trade sector but also in the economy of the country as a whole. Since oil has been the most important single item in the foreign trade sector of Iran, it had heavy influence in all economic sectors.

Based on the above scenario this study attempts to provide an account and analysis of the foreign trade sector in Iran. It discusses in detail the history of oil extraction and production. It also attempts to review and discuss the concessions that were obtained by the foreigners so as to find out the role of the state in these affairs. Within the above context this study focuses on some particular aspects of oil concession agreements, which indicate the impact on the aggregate Iranian macroeconomic performance. The socio-economic performance of foreign oil companies and their interference in the internal affairs of Iran, which led to nationalisation of oil is also presented. All of these issues and the formation of Oil Petroleum Exporting Countries (OPEC), form part one of the study. Part two is devoted to structure of trade which, consists of the changing composition and direction of foreign trade, especially after 1979 when the country started experiencing political hostilities from its trade partners. In direction of foreign trade we have dealt
with the major sources and destinations of imports and exports and their composition, and also the coefficient of geographic and commodity concentration which seem to bear testimony to the role of the state in managing the political and economic crisis faced by the economy during the more recent years.