Chapter 1

IRANIAN ECONOMY:
RESOURCES AND PERFORMANCE SINCE 1962

1. Location, Area and Climate

Iran (Persia)\(^1\) lies between 25\(^\circ\) and 40\(^\circ\) North latitude and between 44\(^\circ\) and 63\(^\circ\) East longitude with an area of 16,48,195 square kms\(^2\), equal to the combined area of United Kingdom, Italy, Belgium, Holland and Denmark. It is the fourth largest country in Asia, the three being the Soviet Union, China and India in receding order.

Iran is circumscribed in clock-wise direction by Iraq, Turkey, the Soviet Union, Afghanistan and Pakistan. She shares her border with Iraq in the West and in East she touches with Afghanistan and slides down to share the boundaries with Pakistan. Then, from East to West, she has a coastal line along the Persian Gulf and Gulf of Oman respectively. These together make a sea route to the Indian Ocean via the Arabian Sea.

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1 Iran has been generally referred to as Persia till 1935, when the Iranian Government asked foreign Government to use 'Iran' instead of 'Persia'. However, on October 25, 1949, the Government again stated that Iran would no longer insist on this also.

2 Ministry of Education, Economic Geography of Iran, Tehran, Iran, 1980, p.2 (Persian).
In the North, Iran and the Soviet Union, intercepted by the Caspian Sea accounting for approximately one third of the total border, almost run together. In the North-east Iran's neighbour is Turkey. Thus, the Iranian border from North-west down to South-east, has a distance of 2,300 kms, while her boundaries running from North to East have a total distance of 145 kms.¹

As for the characteristic topographical features, Iran on all of the four sides is mounteneous, centering around a formidable stretch of elevated land, called the Central Plateau. The afore-mentioned mountaneous rim is classified into two regions namely the 'Elburz' and the 'Zagros'. The 'Elburz' is a narrow range of high mountains, stretching Eastward across the South-west tip of the Caspian Sea. The 'Zagros' is a rugged mountaneous region consisting of a chain of parallel ranges extending from mount Ararat in the North-west to Persian Gulf and Gulf of Oman and finally joining the Makran range in the Southern Coast.

The coastal low land, Khuzestan, is one of the richest provinces in the country being watered by rivers, namely, Karun, Dez, Karkheh and Jarahi. As the southern-eastern parts of Zagros experience less rainfall, they happen to be bald.

The Zagros range and the Elburz mountains together with Eastern upland, are like the two long muscular arms enclosing

the Central Plateau. However, over one sixth of Iran is desert with salt flats having Cardiographic names: Dasht-e-Kavir (that is the Northern desert), and Dasht-e-Loot (which is the Southern desert).

The country is characterised by a varied climatic condition. Snowfall and frost occur all over the country between November and March, except in the Southern Khuzestan and Persian Gulf regions. In summer humidity on the Gulf shore is high; while on the Caspian Sea it is almost perpetual.

The perennial rivers, having abundance of water, flow in the South. Thus, the North faces problems of irrigation owing to the small size of the rivers and salinity. With a view to sophisticate irrigation all the water resources were nationalized in October 1967. All of the rivers are not used under irrigation network due to high salinity in the water. Karun river is the longest and most voluminous river followed by Karkheh river, which is the only navigable river in Iran.

2. Natural Resources.

As regard availability of natural resources, Iran is considered as one of the richest countries in the world having vast oil fields, ample fertile lands and as well as forests.

Iran with proven oil resources of 58 - 100 billion barrels\(^1\) has been placed second in the Middle East after Saudi Arabia. Oil was discovered in 1908\(^2\) and since then Iran has become one of the major oil exporters. Her major oil-field can be observed in the Southern foot-hills of Zagros mountain. However, the main oil-field exists in Khuzestan Province, which plays an important role in the national economy. In 1951, the National Iranian Oil Company was formed under the Nationalisation Law. Light crude oil is produced from a complex of oil-fields including Aghajari, Marun, Pazanan, Karanj, Ahvaz and Asmari. But the heavy crude oil is produced by the principal oil producing fields namely, Gachsaran and Bibi Hakimeh.

Iran also has one of the largest gas reserves in the world, and is second to only the Soviet Union. The natural gas reserves have been estimated at 600 million cubic feet,\(^3\) which is about 15 per cent of the world's total proven reserves. Pure gas reserves are located in the South and South-west of the country. Besides there are several other gas fields in various parts of the country, mostly in the Persian Gulf, Central and North-eastern areas.

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During 1960s, a pipe line which stretches from the oil-field in the South-west at Khuzestan to the Soviet Union border has been constructed. This pipe line is known as IGAT\(^1\) (Iranian Gas Trunk Line). The gas was sold to the Soviet Union as part of an agreement signed in 1965.

3. Other Mineral Resources of Iran

The mineral resources of Iran have not been explored fully. Since 1963 several mineral resources have been surveyed. However, the growth of mineral production has been very slow and the investment in the sector was not comparable with the industries. Even the mineral production as a whole could not play its expected role in the economic development of the country.

The mineral resources were usually divided into three categories:

1. The first category included limestone, gypsum and building stone. (These could be explored subject to issuing of the licences).

2. The second category\(^2\) included metallic minerals, solid fuels, salt, precious metal and precious stone.

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1 Petroleum Industry in Iran, Public Relation Publication, Tehran, Iran, 1975, p.68.
2 The exploration of these items could be effected under the licences issued by the Ministry of National Resources.
3. The third category\(^1\) included the natural gas and petroleum.

However, before the Islamic Revolution, most of the explorations were under the private sector including that of zinc, lead, chromite, building material, industrial raw material, etc., excepting of those mines which were to be exploited for use by the metallurgical industries.

Iran's main minerals are copper,\(^2\) iron ore,\(^3\) coal,\(^4\) lead,\(^5\) zinc,\(^6\) chromite,\(^7\) gold,\(^8\) antimony,\(^9\) manganese,\(^10\) borax,\(^11\) gypsum,\(^12\) salt,\(^13\) bauxite,\(^14\) red oxide,\(^15\) sulphur,\(^16\) uranium,\(^17\) phosphate,\(^18\) turquoise,\(^19\) fire clay.\(^20\)

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1. The exploration under this category has been the exclusive right of the State which granted permission to foreign companies through the Parliament. In 1974, a total of 179 wells were drilled for exploration and development.

2. Found at Sar-Cheshmeh in Kerman Province and in Azarbaijan and Yazd Provinces.

3. Found at Bafq (in Kerman Province), Arak (Central Provinces).

4. Found at Bafq and Zarand (in Kerman Province).

5. Found at Bafq (in Kerman Province), Khomein (West of Esfahan Province).

6. Found at Bafq (in Kerman province), Khomein (West of Esfahan Province).

7. Found at area of Elburz mountain and near Bandar-e-Abbas (in Hormuzgan Province).

8. Found at Moyeh in Esfahan Province.

9. Found at West-Azarbaijan, and Bakhtaran Province.

10. Found at Central Khorasan and Esfahan Provinces.

11. Found at West-Azarbaijan and Kerman provinces.

(Contd.)

1. Coal

Coal is used as raw material for the Esfahan Steel Mill, which is being transported from Kerman, Semnan, Mazandran and Gilan. The Esfahan Steel Mill from the beginning has been receiving about 9,00,000 tonnes of coal annually. It was expected that the second furnace will come into operation by 1983-84.¹

The Plant's producing capacity is 600,000 tonnes. After the start of second furnace, the Plant needs about 27,00,000 tonnes of coal of which 70 per cent would come from domestic market and the remaining (30 per cent) would be

12 Found at Central, Lorestan and Khuzestan Provinces.
13 Found at Central, Esfahan, East-Azarbaijan, Khuzestan, Mazandran, Fars, Gilan and Coastal Provinces.
14 Found in the Southern Eastern Zogros mountain between Behbahan and Yazd.
15 Produced on the coast of the Persian Gulf near Bandar-e-Abbas.
16 Found in the North-east of Khorasan and Azarbaijan Provinces, and Western part of Kerman province.
17 Found at Lavan (in Hormuzgan province), Shemshak and Finakhuk (in West of Tehran).
18 Found at Nishabur in Khorasan Province.
19 Found at different places in Iran.
20 Found at Central Khorasan, Mazandaran and Bakhtaran Provinces.

¹ In fact it came into operation by the end of 1983.
imported.

It is estimated that after the start of the second furnace of Esfahan Steel Mill, the main area from where coal is being mined, would be developed to produce about 19,00,000 tonnes annually.

Coal is also being mined in Kerman at Bafq, Zarand, Babnezo and Pabdana. From Zarand which has been the centre of loading for the iron and steel plant at Esfahan, daily about 1,000 tonnes of coal is transported to this factory. Zarand is also having a unit of coal washing plant. At Pabdana a new foundry has been developed to help solve residential problem of the personnel including technicians, engineers and workers, etc.

Coal is also mined at Sangrud, which is located West of Elburz mountains near Loshan. A coal mine has been discovered at Zirab, and also one which is located in the valley of East Elburz mountains, some 40 kms West-south of Qaim Shahr.1 Another coal mine in the Northern Mazandaran province with an estimated total reserve of 35 million, has started production at the rate of 50,000 tonnes per year. The annual capacity will be increased to 2,80,000 tonnes by 1988 to meet the growing need of Esfahan Steel Mill.2 In Shahrud

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1 Formerly known as Shahi.
exploration of coal mines has also started.

Table 1 gives the estimate of total Iranian coal reserves.

Table 1
COAL RESERVES IN IRAN
(1981-82)

<table>
<thead>
<tr>
<th>HEAD</th>
<th>Million Tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of coal mines at Kerman (Kerman Province)</td>
<td>102.7</td>
</tr>
<tr>
<td>Units of coal mines, Eastern Elburz (Semnan Province)</td>
<td>7.5</td>
</tr>
<tr>
<td>Units of coal mines, Central Elburz (Mazandaran Province)</td>
<td>30.9</td>
</tr>
<tr>
<td>Units of coal mines, Western Elburz (Gilan Province)</td>
<td>5.2</td>
</tr>
</tbody>
</table>


The data given in Table 1 above indicate that Kerman province with a total industrial reserve of 102.7 million tonnes of coal, is one of the richest areas, followed by Mazandaran Province (30.9 million tonnes) and Semnan Province (7.5 million tonnes).

2. Lead and Zinc

Lead and zinc are explored at Bafq near Yazd, and in Khomain, West of Esfahan and in Ravanj near Qum. Since
1972-73, the total output of lead and zinc remained constant at 140,000 tonnes. Out of this figure 50,000 tonnes of lead is explored and the remaining (90,000 tonnes) is supplied to the market.

3. Iron-ore

The Esfahan Steel Mill since its operation consumed one million tonnes of iron ore annually, which is carried to the Esfahan Steel Mill from Bafq by a specially developed rail system. The reserve is at Bafq in the Kerman Province.

Table 2
SUPPLY OF IRON ORE TO THE IRON-STEEL PLANTS IN Iran

<table>
<thead>
<tr>
<th>Iron-steel Plants</th>
<th>Annual production capacity (Million tonnes)</th>
<th>Source of supply</th>
<th>Quantity (Million tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Esfahan Steel Plant</td>
<td>1.9</td>
<td>Chearat</td>
<td>3.0</td>
</tr>
<tr>
<td>Ahvaz Steel Plant</td>
<td>1.5</td>
<td>Kudermukh (India)</td>
<td>4.5</td>
</tr>
<tr>
<td>Mubarekeh Steel Plant (Esfahan)</td>
<td>2.5</td>
<td>Gol-Gohar</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>5.9</td>
<td></td>
<td>12.5</td>
</tr>
</tbody>
</table>

Table 2 indicates the supply of iron ore as raw material to the iron and steel plants at Esfahan and Ahvaz; while the Sweden Granges International Mining (GIM) has renewed a pre-revolution Rls. 20.8 billion (approximately $250 million) agreement to develop Gol-Gohar mines in the South-east Kerman. Iron ore reserves of Gol-Gohar are estimated at 650 million tonnes; which, it is expected, would produce five million tonnes iron ore annually for Mubarekeh Steel Plant at Esfahan. The open-pit mine is planned to start operating by 1988. A short spur line will connect the mine with the steel mill at Esfahan.

Further, according to an agreement between India and Iran in 1975, India would supply 4.5 million tonnes iron ore annually to the Ahvaz Steel Plant.

4. Copper ore

The deposits of copper ore have been discovered in Azarbaijan, Kerman and in the Yazd and Anarak areas. An important deposit of copper has been found in 1967 in the Kerman province at Sar-Cheshmah. It was announced that Iran would be the world's 7th largest producer of copper. It was expected that the mines when explored would provide 45,000 tonnes of blister copper per year during the first ten years (1967-77). Reserves have been estimated at over 400 million
tonnes averaging 1.12 per cent copper content, with another 400 million tonnes of lower grade beneath. With the discovery of Sar-Cheshmeh mine, a plan designed for exploration and installation of copper refinery plant aims at the production of cables, pipes, wire and copper sheets, etc.

5. **Limestone**

The limestone is used for the Esfahan Steel Mill. At Pirbakran, there is a complex with an annual capacity of one million. The total output being 5.5 million tonnes per annum.

6. **Chromite**

Chromite is found and mined in Elburz mountain areas, and near Bandar-e-Abbas. During 1981-82, a project for the exploration of chromite started at Esfandgeh, which will be completed by 1987-88.

7. **Sulphur**

Sulphur is produced on the coast of the Persian Gulf near Bandar-e-Abbas, which is used in different industries including drugs and steel industries, etc.

A brief description of other mines and minerals has been given in Chapters II and IV.

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1 For data regarding some non-oil mineral reserves, see Appendix I.
5. The Livestock.

Livestock plays an important role in the Iran economy. They provide milk, wool, hides and skins, and are also used for draught. The livestock provides raw material for the carpet industry which after oil, has been a major source of foreign exchange earning.

The livestock are widely distributed throughout Iran. However, 1/3rd of sheep could be seen around the Zagros mountains in the summer. It may be stated that the information on the size and output of livestock industry in Iran has been unreliable. During the 1960s, the livestock accounted for about 40 per cent of the total output of agriculture and 10 per cent of GDP with sheep and goats maintaining the specific output of this sector. The growth rate was reported between 1 to 1.2 per cent annually. A United Nation Report\(^1\) on livestock\(^2\) indicates that since 1961 to 1973 the annual growth rate was only estimated at 0.5 per cent, and for sheep it was 3.5 per cent which could not meet the requirements of the population.

The main areas for poultry are located near the urban centres. Due to utilisation of large modern poultry units,


\(^2\) A clear picture of livestock in Iran during 1976-80 may be had by referring to the FAO estimates given in Appendix II.
hatcheries and feed mixing plant have resulted in raising the poultry production from 50,000 tonnes during 1970-71 to 1,15,000 tonnes during 1975-76. The output of eggs rose from 66,000 tonnes to 1,14,000 tonnes during the same period. The production of white meat was estimated at 1,85,000 tonnes during 1977-78 which was raised to 2,00,000 tonnes during 1978-79, and further during 1979-80, it jumped to 2,37,000 tonnes. The egg production during the mentioned years was estimated at 2,00,236 and 2,74,000 tonnes respectively. The imports of white meat and eggs during 1978-79 and 1979-80, were estimated at 16,000 and 14,000 tonnes of chicken and 18,000 and 9,000 tonnes for eggs, respectively.

As per the First Economic Development Plan of the Islamic Government (1983-88), the total per capita availability of animal protein from different sources including milk, meat (red and white) and eggs, has been about 19.5 grammes per day during 1982-83, which is projected to reach to 20.67 grammes\(^1\) by the end of the Plan (1987-88).

6. Fisheries in Iran.

The principal major fishing catch areas exist in the Caspian Sea and the Persian Gulf. It extends to nearly 3,000 kms of the shore-line.

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\(^1\) Bank Markazi Iran, The Study of Economic Evolution of the country after the Revolution, Tehran, Iran, 1982, p. 463, (Persian).
The Caspian Sea is the largest inland sea of salt water in the world, with an area of about 4,15,000 sq. kms. Twenty per cent of the shore-line lies in Iran which is estimated to be at 1,000 kms.\(^1\) The remainder is in the Soviet Union. The territorial waters of the Islamic Republic of Iran extend approximately to 135 kms into the lake from the Iranian coast line between Bandar-e-Anzali\(^2\) and Babolsar. More than 100 varieties of fish exist in this region.

Iran exports 170 tonnes of Caviar per year of which 50-60 tonnes go to West Europe, 60 tonnes to the U.S.A.\(^3\) and the remainder to the Soviet Union. About 30 tonnes is consumed locally. Iran exported more than 152 tonnes of Caviar during 1980-81. This also indicates a 5 per cent fall over last year's (1979-80) total. The total value was estimated in the same year at more than $153 million\(^4\) (Rls. 10.8 billion).

According to Northern Fisheries Company, Iran, which is responsible to the Ministry of Natural Resources and which looks after the harvesting, administration and the regulation

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2 Previously known as Bander-e-Pahlavi.
3 Middle East Economic Digest (MEED), 1977, p.22.
of fisheries, the estimated Caviar exports increased by 35 per cent in 1976. The Caspian Sea is generally believed to contain 80 per cent of the world's Sturgeon population.

In 1963, an Irano-Soviet agreement was signed for cooperation to breed fish in special hatcheries, which later on would be based into the Sea. Since then six cities have already been chosen along the Caspian shores on the Iranian side for cultivation of white Strurgeon and Salmon.

The Iranian fisheries of Persian Gulf and the Oman Gulf regions are under the responsibility of Southern Fisheries Company, Iran, known as "Shirkat-e-Shilat Jonoub".

The total catch of shrimps in 1978 was estimated at 3,500 tonnes.\(^1\) Out of this, 3,000 tonnes of fish was exported to the United States of America and the European countries. During 1980-81, the total catch of shrimps was estimated at 59 tonnes, showing a 45.3 per cent decline over 1979-80 catch of 1,081 tonnes.

The Southern Fishing Co., Iran, cans Tuna and Sardines at a small cannery for the domestic market. The Company's production for 1980-81 was 9,861 tonnes of fish and 591 tonnes of shrimps which shows a 69.2 per cent increase of fish output over 1979-80 figures.

The total import and export of different varieties of fish have been given in the Table 3.

\(^1\) *Middle East Economics Digest (MEED) Weekly*, May 5, 1978, p. 27.
Table 3

QUANTITY AND VALUE OF IMPORT AND EXPORT OF DIFFERENT VARIETIES OF FISH
(1976-77 to 1980-81)

<table>
<thead>
<tr>
<th>Year</th>
<th>IMPORT Quantity (Tonnes)</th>
<th>IMPORT Value (000 Rls)</th>
<th>EXPORT Quantity (Tonnes)</th>
<th>EXPORT Value (000 Rls)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>1,538</td>
<td>1,57,631</td>
<td>2,114</td>
<td>1,66,662</td>
</tr>
<tr>
<td>1977-78</td>
<td>3,233</td>
<td>3,04,885</td>
<td>4,656</td>
<td>4,06,589</td>
</tr>
<tr>
<td>1978-79</td>
<td>2,209</td>
<td>2,79,503</td>
<td>2,360</td>
<td>2,78,383</td>
</tr>
<tr>
<td>1979-80</td>
<td>3,145</td>
<td>3,32,922</td>
<td>2,995</td>
<td>4,65,584</td>
</tr>
<tr>
<td>1980-81</td>
<td>2,813</td>
<td>1,90,150</td>
<td>1,395</td>
<td>2,48,213</td>
</tr>
</tbody>
</table>


The table 3 gives the total import and export (quantity-wise and value-wise) for the period 1976-77 to 1980-81. The value of imports rose from Rls. 15,76,31,000 (§ 22,31,943) during 1976-77 to Rls. 19,01,50,000 (§ 26,29,431) by 1980-81; while the value of exports also increased during the same period from Rls. 16,66,62,000 (§ 23,59,815) to Rls. 24,82,13,000 (§ 34,32,338) by 1981.

During the First Development Plan of the Islamic Government (1983-88), it is estimated that the total catch of fish will rise from 5,75,000 tonnes during 1982-83 to 27,23,000 tonnes by 1987-88.

The total catch of fish in the Persian Gulf region is
projected to increase to more than 2,30,000 tonnes by 1987-88. Out of this amount, 1,00,000 tonnes will come through the traditional system of catch, and the remaining 1,30,000 tonnes through the improved industrial catch system.

7. Forestry

Forest resources still play an important economic role in Iran. They make a substantial contribution to the natural wealth and welfare of the Iranian people. The forest reserves promise to raise raw materials for industries, to earn revenues for the country and to fulfil the fuel needs of the rural areas in Iran. The forests provide commercial products including rubber, gums, cork, oils, bamboo and numerous other substances.

The major forest area lies in the Caspian Sea region with 3.4 million hectares and nearly 40 per cent densely wooded. Near about one million oak trees are on the slopes of the Western provinces. The rest, i.e., 14 million hectares comprises of brush land, scattered plants, groves and sparsely wooded crops.

In 1964, the Government, as a part of the so-called 'White Revolution' passed legislation to nationalise all
forests. And, in 1967 the Ministry of Natural Resources was formed to take over responsibilities for the nationalisation regulations. It was claimed that this is meant to halt the wasteful cutting and other uneffective practices, which have been causing a rapid deterioration of the forests.

Data regarding forests production and wood consumption in Iran have been incomplete and, therefore, unreliable. In 1970, the total wood production from forests and private resources was put at 5.2 million cubic metres (of round wood). The output was estimated to touch 8.1 million cubic metres by 1980. The data given below indicate the projected output consumption and imports of wood.

Table 4

<table>
<thead>
<tr>
<th>Year</th>
<th>Forest wood</th>
<th>Poplar &amp; Garden wood</th>
<th>Total wood</th>
<th>Consumption</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>2.5</td>
<td>2.7</td>
<td>5.2</td>
<td>6.0</td>
<td>0.8</td>
</tr>
<tr>
<td>1980</td>
<td>4.1</td>
<td>4.0</td>
<td>8.1</td>
<td>9.6</td>
<td>1.5</td>
</tr>
<tr>
<td>1990</td>
<td>5.8</td>
<td>7.1</td>
<td>12.9</td>
<td>15.9</td>
<td>3.0</td>
</tr>
<tr>
<td>2000</td>
<td>7.5</td>
<td>13.5</td>
<td>21.0</td>
<td>27.0</td>
<td>6.0</td>
</tr>
</tbody>
</table>

The production estimates indicate the volume attainable with adequate management. On demand side consumption will increase more rapidly in the higher value products than in the lower value products.

During the First Economic Development Plan of the Islamic Government (1983-88), it is designated to protect an area of 98 million hectares for forestry land, and 90 million hectares have been allocated for grazing.

8. Human Resources

The first ever population Census was conducted in Iran in the year 1956.¹ This Census put the total population of Iran at 189,57,704 million; of this 59,53,563 persons inhabited Iran's urban area and 130,01,141 persons were rural based.² The rate of population growth was 2.86 per cent. In 1976, the total population of Iran was projected to be around 28 million with 46 per cent of the total population in the age group of 55 and above. Less than 15 per cent people were under 55 years. The official Census of

² According to the Census of Population, 1982, the total urban population of the country is 232,30,000; while the number of urban households throughout the country is 53,80,000. Tehran Times, Tehran, Iran, August 7, 1983.
1976, confirming the above figures revealed that 46 per cent of total persons fell in the age group of 0 to 15. People in the age group of 15-64 were 50 per cent of the total and the rest, that is 3.9 per cent, were individuals in the age group of 65 and above. The rate of population growth between 1956 and 1966 was estimated at 2.7 per cent, which meant a decrease of 0.1 per cent. For 1976, the Census of population calculated median and mean (of the population), which were 16.9 per cent and 22.2 per cent respectively. In 1966, the total population was 2,57,88,722 (1,33,55,801 males and 1,24,32,921 females). The sex ratio thus was 107.4\(^1\) male per 100 female in the stated year; while in 1976, the total population was 3,35,91,875 (divided between 1,72,77,625 males and 1,63,14,214 females). The sex ratio for the year was 106 male per 100 female.

The density of population in 1966, and 1976 was 15.6 per sq. kms., and 20.4 per sq. kms., respectively.\(^2\)

The Central Province showed the highest concentration of population followed by the Northern and North-western province of Gilan (15,81,372), East Azarbaijan (23,87,171) Bakhtaran\(^3\) (10,30,714) and West Azarbaijan (31,97,685). The Census of population indicated that the lowest concentration

2 Ibid., p.16.
3 Formerly known as Kerman Shah.
POPULATION OF IRAN
1966 - 76

FEMALE

MALE

1966
1976

PERSON

0 2000 4000 5500

0 2000 4000 5500
was in Seistan and Baluchestan province (6,64,299), followed by Kerman (10,91,148) and Khorasan (32,64,398), as the next lowest. During 1978, the population touched a figure of 34.6 million, the rate of growth being 2.7 per cent.

The active population increased by 2.1 per cent. The population has been recently estimated at 39.32 million, and it is estimated to touch 51 million mark by 1990. As per the 1966 Census, the number of employed was 71,15,787: 47.5 per cent of which was engaged in farming, hunting, forestry and fishing; 26.5 per cent were employed in mining, quarrying, manufacturing, construction, electricity, gas, water and health service; 24.0 per cent were involved in service sector, trade, transportation, storage, communication and social and personal services. The total active population employed in the urban and rural areas was 26,10,294 and 45,05,493 persons respectively.

The data given in Table 5 indicate the employment status in Iran as per the Population Census, 1976.

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### Table 5

**THE EMPLOYMENT TABLE**

POPULATION OF 10 YEARS' AGE AND OVER

(1976)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Employment</th>
<th>BOTH SEXES</th>
<th></th>
<th>TOTAL COUNTRY</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>1</td>
<td>Employers</td>
<td>1,82,299</td>
<td>2.1</td>
<td>1,76,871</td>
<td>5,358</td>
</tr>
<tr>
<td>2</td>
<td>Own-account workers</td>
<td>28,10,211</td>
<td>31.9</td>
<td>26,79,518</td>
<td>1,30,693</td>
</tr>
<tr>
<td>3</td>
<td>Public Sector Wage and Salary Earners</td>
<td>16,73,092</td>
<td>19.0</td>
<td>14,27,174</td>
<td>2,45,918</td>
</tr>
<tr>
<td>4</td>
<td>Private Sector Wage and Salary Earners</td>
<td>30,71,927</td>
<td>34.9</td>
<td>27,49,781</td>
<td>3,22,146</td>
</tr>
<tr>
<td>5</td>
<td>Unpaid Family Workers</td>
<td>10,21,321</td>
<td>11.6</td>
<td>5,25,589</td>
<td>4,95,723</td>
</tr>
<tr>
<td>6</td>
<td>Not Reported</td>
<td>40,649</td>
<td>0.5</td>
<td>28,467</td>
<td>12,182</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>87,99,420</td>
<td>100.0</td>
<td>75,87,400</td>
<td>12,12,020</td>
</tr>
</tbody>
</table>

**Source:** National Census of Population and Housing, November 1976, Statistical Centre of Iran, Tehran, Iran, 1981, p.47.

According to 1982 Census, the province with the highest number of unemployed (29 per cent of the urban total) was Tehran. The Ilam province having a population of 75,000 only, has been registered with lowest urban employment, i.e., 4 per cent of the total.

The highest unemployment rate, i.e., 8.8 per cent, was
registered in Khuzestan province; while the lowest percentage (2.9) was reported for Yazd province.

The Census of 1976 also indicates that (for 2,04,44,615 persons of the population) the literacy rate for 7 years' age group and over was 41.1 per cent. The rate for male and female population, has been 56.6 and 35.0 per cent respectively. The literacy rate for urban and rural areas was 65.2 and 29.7 per cent respectively.

During 1978-79, the rate of literacy for the six years' age group and above was estimated at 50.8 per cent. This rate stood for urban and rural areas at 68.3 and 36.6 per cent respectively.

According to the Census conducted throughout the country in 1982, the percentage of literate population was accounted at 34.3; while the percentage of literate population (excluding the student population) was mentioned at 47.9 per cent. The Census also indicates the percentage of illiterate persons. It is put above 36.6 per cent. The percentage of illiterate persons among the female population was mentioned above 59.1.

The 1976 Census revealed that 34.0 percent of the total employed population of Iran was engaged in agriculture.

1 Bank Markazi Iran, Annual Report and Balance Sheet, Tehran, Iran, 1979, p.40.
sector; 34.2 per cent in industrial sector and 30.9 per cent in the service sector.¹

The Census also indicated that 2.1 per cent of the people were employed; 31.9 per cent were self-employed workers; 19.0 per cent were salary workers in the public sector; 34.9 per cent were private sector wage and salary earners; 11.6 per cent were unpaid family workers, and the remaining 0.5 per cent were accounted under the "Employment Status Not Reported".

The comparative figures for different categories of the working population in urban and rural areas were 3.4: 9.0 per cent employers; 22.2 : 40.4 per cent were own account workers; 34.2 : 5.7 per cent were public sector wage and salary earners; 37.6 : 32.6 per cent were private sector wage and salary earners; 2.1:20.0 per cent were unpaid family workers, and remaining 5.0 : 0.4 per cent were classified as "Employment Status Not reported".²

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² Ibid.
II
IRANIAN ECONOMY: PERFORMANCE

Iran's economy before the Islamic Revolution has been characterised as a dependent economy. The dominating private sector assisted by the then Government adopted the so-called 'Open Door Policy' towards foreign capital and collaborations which resulted in lopsided growth of many foreign firms in the form of subsidiaries, branches and constellation of collaboration agreements both in agriculture and industry. The dependent system largely determined the socio-economic infrastructure and political and cultural super-structure of the society. We must consider the data collected by the Central Bank of Iran and other similar sources which were indeed being managed by the departed regime.

Iran continued to increasingly exploit oil resources for exports, which, combined with increasing oil price, yielded large revenues.¹ As such, the proportion of total revenue attributable to petroleum and related items, is responsible for significant share of Iran's increase in the national income and her rate of growth. The oil revenues

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¹ The oil revenue has a two-fold effect on the Iranian economy: Firstly, it provided a source of income for the Government to supplement its budgetary expenditure; and Secondly, the oil revenues could be channeled through the Plan Organization for investment in various development projects.
also influenced the other sectors of the economy. Iran's gross national product (GNP) at current prices was reported rising from Rls. 798 billion ($10.5 billion approx.) during 1971-72 and reaching to Rls. 3,637 billion ($54.4 billion approx.), during 1975-76. According to Bank Markazi of Iran (Central Bank), while the non-oil GNP increased by 7.4 per cent during 1977-78, the growth rate in oil group declined. The growth rates of gross domestic product and gross national product, were limited to 1.7 per cent and 2.8 per cent respectively.\(^1\)

During the Third Development Plan (1963-68), the average growth rate reached to 9.8 per cent. However, during the Fourth Development Plan (1968-73), the GNP rose from Rls. 686 billion ($9,054 million approx.) to Rls. 1,115 billion ($14.7 billion) with an average rate of 11.2 per cent at 1972-73 prices. The oil boom increased the role of oil in the Iranian economy. It was estimated in 1973 that the GNP will rise during the Fifth Development Plan (1973-78) from Rls. 1,165 billion ($1,537 million approx.) to Rls. 3,686 billion ($52.1 billion approx.), i.e., by 25.9 per cent.\(^2\) During 1978-79, due to decline in oil and gas output, there was a 22 per cent slump in Government revenue. This decrease was

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1 Bank Markazi Iran, Annual Report and Balance Sheet, Tehran, Iran, 1978, p.9.

2 The average annual growth of the Gross Domestic Product which was forecasted to be 25.9 per cent, reached only a level of 17.2 per cent.
basically due to widespread strikes. The GNP declined during 1978 to 1980. The estimated figures indicate that the GNP declined by 9 per cent (1978) and 13 per cent (1979). It declined by not less than 10 per cent during 1980.

Agriculture registered a growth rate of about 6 per cent in 1978; which declined again by 6.5 per cent in 1979. Hence, even "the most optimistic estimates do not allow for any rate of growth". The industry and mining also was depressed; while "the reduction in production in 1978 and 1979 was 17 per cent in each year." This indicates that the economic miscalculations of the Shah's regime had already started showing results and that the statistics could not be deliberately managed. The share of industries and mines in GNP which was very low, was estimated to have fallen from 15.8 per cent to 14.3 per cent.

However, during 1982-83, despite the imposed war, the Iranian economy showed a growth of 2.2 per cent, oil playing an important role in the recovery of the economy. The GNP totalled Rls. 26,20,000 million (₼ 30,000 million), and the share of agriculture in the GNP increased by 15 per cent during this year, compared with 13.9 per cent for 1981. Oil

2 Ibid.
industries and mining indicated no significant change. The service sector registered a declare from 66.9 percent to 65.3 per cent.¹

During the First Economic Development Plan of the Islamic Government (1983-88) the annual growth rate of GNP is estimated at 8.9 per cent. The average growth rates for different sectors of the economy are specified below:

Table 6

ANNUAL AVERAGE RATES OF GROWTH OF DIFFERENT SECTORS OF THE ECONOMY DURING THE FIRST PLAN (1983-88)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agriculture</td>
<td>7.0</td>
</tr>
<tr>
<td>2</td>
<td>Oil</td>
<td>16.0</td>
</tr>
<tr>
<td>3</td>
<td>Industry and Mining</td>
<td>14.0</td>
</tr>
<tr>
<td>4</td>
<td>Construction</td>
<td>14.2</td>
</tr>
<tr>
<td>5</td>
<td>Services</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: Arabia, The Islamic World Review, No. 23, July 1983, p.27.

The data in the Table above indicate that the Plan envisages an annual average growth rate of 7 per cent in the agricultural sector. The growth for the oil industry is projected at 16 per cent per annum. In view of the high targets, it is imperative that the economic administration

¹ Ibid., April 1, 1983.
should be geared to achieve goals by avoiding delays, duplication of efforts and tardy implementation of projects. This obviously needs organisational planning, training and orientation of the personnel.

The Budgetary Provisions

The total expenditure under General Budget declined from Rs. 2,346,259 million (about $33.3 billion) during 1978-79 to Rs. 3,281,452 million (about $39.3 billion) during 1982-83, while during 1981-82 it amounted to Rs. 3,508,777 million (about $44.1 billion).

Table 7 indicates the total expenditure under the General Budget.

The total revenue in the General Budget declined from Rs. 23,46,259M (about $33.3 billion) during 1978-79 to Rs. 21,04,626 million ($25.2 billion) during 1982-83. The oil and gas increased from Rs. 10,13,180 million (about $14.3 billion) during 1978-79 to Rs. 19,89,200 million (about $23.8 billion) during 1982-83.

Table 8 gives the total revenue in the General Budget.

The budget proposed a deficit of Rs. 251.8 billion ($2.9 billion) approximately and a total expenditure of
Table 7

GENERAL BUDGET EXPENDITURE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 General</td>
<td>161,193</td>
<td>185,800</td>
<td>276,958</td>
<td>321,920</td>
<td>385,920</td>
</tr>
<tr>
<td>2 Defence</td>
<td>590,207</td>
<td>314,557</td>
<td>374,992</td>
<td>330,949</td>
<td>333,269</td>
</tr>
<tr>
<td>3 Social welfare</td>
<td>604,482</td>
<td>644,383</td>
<td>875,984</td>
<td>1,112,351</td>
<td>936,085</td>
</tr>
<tr>
<td>4 Economic</td>
<td>632,257</td>
<td>652,338</td>
<td>559,897</td>
<td>925,433</td>
<td>837,045</td>
</tr>
<tr>
<td>5 Reconstruction Crusade and others</td>
<td>34,357</td>
<td>3,720</td>
<td>54,417</td>
<td>72,727</td>
<td>69,800</td>
</tr>
<tr>
<td>6 Miscellaneous</td>
<td>244,994</td>
<td>341,340</td>
<td>98,347</td>
<td>617,258</td>
<td>579,627</td>
</tr>
<tr>
<td>7 Others</td>
<td>78,583</td>
<td>90,032</td>
<td>11,636</td>
<td>128,138</td>
<td>140,006</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,346,259</strong></td>
<td><strong>2,143,120</strong></td>
<td><strong>2,357,231</strong></td>
<td><strong>3,508,777</strong></td>
<td><strong>3,281,452</strong></td>
</tr>
</tbody>
</table>

Table 8

GENERAL BUDGET REVENUE
(1978-83)

(Rls. million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL TAXES</td>
<td>4,71,551</td>
<td>2,68,342</td>
<td>3,40,429</td>
<td>5,44,440</td>
<td>1,90,066</td>
</tr>
<tr>
<td>1. Corporation Taxes</td>
<td>2,01,050</td>
<td>1,42,977</td>
<td>45,915</td>
<td>1,66,894</td>
<td>1,90,066</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>59,427</td>
<td>72,327</td>
<td>65,867</td>
<td>1,09,442</td>
<td>1,08,418</td>
</tr>
<tr>
<td>Wealth Tax</td>
<td>11,242</td>
<td>12,799</td>
<td>17,326</td>
<td>19,810</td>
<td>28,582</td>
</tr>
<tr>
<td>Custom Duties</td>
<td>1,46,531</td>
<td>1,00,942</td>
<td>1,61,297</td>
<td>1,69,985</td>
<td>2,36,781</td>
</tr>
<tr>
<td>Indirect Tax</td>
<td>52,300</td>
<td>39,297</td>
<td>49,964</td>
<td>78,309</td>
<td>1,02,528</td>
</tr>
<tr>
<td>2. Oil and Gas</td>
<td>10,13,180</td>
<td>12,19,716</td>
<td>8,88,830</td>
<td>15,33,000</td>
<td>19,89,200</td>
</tr>
<tr>
<td>4. Sales of goods &amp; services</td>
<td>26,470</td>
<td>23,879</td>
<td>30,861</td>
<td>30,233</td>
<td>79,403</td>
</tr>
<tr>
<td>5. The rest</td>
<td>7,82,774</td>
<td>6,09,821</td>
<td>11,45,716</td>
<td>9,18,077</td>
<td>6,35,847</td>
</tr>
<tr>
<td>TOTAL</td>
<td>23,46,259</td>
<td>22,57,548</td>
<td>24,05,925</td>
<td>31,64,982</td>
<td>21,04,627</td>
</tr>
</tbody>
</table>

about Rls. 3,648 billion ($42 billion) for the year 1983-84. Thus, the deficit for 1983-84 has been less by about Rls. 25.8 billion approximately ($297 million) than the deficit for 1982-83. About Rls. 1,216 billion ($14 billion) were allocated for 'Development Expenditure' in an attempt to achieve a rapid economic growth particularly through the completion of the existing projects, which were earlier abandoned.

In December 1983, the budget for 1984-85 was sent to the Parliament for approval. It means that it has been sent two months earlier than the budget for 1983-84, which was sent to the Parliament in February, 1983.

However, the Budget (1984-85) projects a total of Rls. 6,812 billion\(^1\) ($78.42 billion approximately) including the total revenues of Rls. 3,471 billion ($39.9 billion approximately) excluding Rls. 217 billion ($2.4 billion approximately), which will come from the private organisations:

1. Rls. 870 billion ($100.1 million approx.) from Income Tax.
2. Rls. 2,051 billion ($23.6 billion approx.) from oil and gas.
3. Rls. 206 billion ($2.4 billion approx.) from foreign exchange sales, which is a new source of income for the Government.
4. Rls. 344 billion ($3.9 billion approx.) from other sources of Public Service.

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\(^1\) Keyhan (Air Mail), Tehran, Iran, December 14, 1983, p. 7 (Persian).
billion approx.) to Rs. 794 billion (\$ 10.4 billion approx.) between 1971-76. The average public consumption is estimated to have reached Rs. 3,393 billion (\$ 48.14 billion) by 1978. The approximate share of public expenditure in GNP at constant price was projected to rise from about 22 per cent to 23 per cent during the Fifth Plan period.

The average investment expenditure has rapidly increased at an average annual rate of about 12 per cent during 1960s.

Under the Fourth Development Plan (1968-1973), investment increased at an annual rate of about 13.4 per cent, while the growth rate in Fifth Development Plan stood at 17.1 per cent. Private investment increased at an annual rate of about 7.5 per cent during the 1960s. It was projected that private fixed investment at constant prices will increase at an average rate of 18 per cent during the Fourth Plan. Due to oil boom, the public investment expenditure increased at an average annual rate of about 15 per cent during 1960s, as also the savings. During 1973-74, due to the increase in oil revenue investment in the public sector was rising fast from an annual rate of 14.6 per cent during 1968-73 (the Fourth Plan duration) to 38.1 per cent during 1973-78 (the Fifth Plan duration).

Table 9 gives a clear picture of the Gross National Product and Gross Domestic Product at 1972-73 prices.
### Table 9

**GNP AND GDP AT 1972-73 PRICES**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>1967-68</th>
<th>1972-73</th>
<th>1977-78</th>
<th>Average annual rate of growth during the 4th Plan (%)</th>
<th>Average annual rate of growth during the 5th Plan (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Consumption expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Private Sector</td>
<td>(442)</td>
<td>(645)</td>
<td>(1,322)</td>
<td>(7.9)</td>
<td>(15.4)</td>
</tr>
<tr>
<td>b) Public Sector</td>
<td>(98)</td>
<td>(253)</td>
<td>(846)</td>
<td>(20.8)</td>
<td>(27.3)</td>
</tr>
<tr>
<td>2. Gross Domestic Fixed Capital Formation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Private Sector</td>
<td>(77)</td>
<td>(141)</td>
<td>(379)</td>
<td>(12.9)</td>
<td>(17.7)</td>
</tr>
<tr>
<td>b) Public Sector</td>
<td>(74)</td>
<td>(146)</td>
<td>(374)</td>
<td>(14.6)</td>
<td>(38.1)</td>
</tr>
<tr>
<td>3. Balance of Payment Current Account</td>
<td>- 5</td>
<td>- 20</td>
<td>465</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Population (million)</td>
<td>26.5</td>
<td>31.0</td>
<td>35.9</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>6. Per Capita GNP (Rls.)</td>
<td>28,894</td>
<td>37,522</td>
<td>102,655</td>
<td>7.7</td>
<td>22.3</td>
</tr>
<tr>
<td>7. Per Capita GNP ($)</td>
<td>384</td>
<td>556</td>
<td>1,521</td>
<td>7.7</td>
<td>22.3</td>
</tr>
</tbody>
</table>

The total revenue has been projected at Rls. 3,689.3 (§ 42.5 billion approx.). Thus, Rls. 312.2 billion (§ 3,594 million approx.) would be the deficit.

The total consumption (public and private) under the Fifth Development Plan (1973-78) is estimated to have increased by an annual average rate of over 19 per cent. The growth rate has been higher by 9 per cent in 1973 under the Fourth Development Plan (1968-73). The share of total consumption is estimated to decline from 77.1 per cent during 1972-73 to about 38.8 per cent by 1977-78; while there was a decline in the share of private consumption expenditure from 55 to 36 per cent.¹

Private consumption expenditure which at constant prices under the Fourth Development Plan increased to about 8 per cent was projected to rise at an average annual rate of over 15 per cent during the Fifth Plan period (1973-78).

Private consumption expenditures at current prices rose from Rls.522 billion (about § 6.9 billion) to Rls.1,533 billion (§ 20.23 billion approximately).² It nearly tripped during 1970-71 to 1975-76. Public consumption expenditure at current prices rose by over 40 per cent from Rls. 142 billion (§ 1.8


While the private consumption, at fixed prices decreased from Rls. 1,798.0 million ($ 25.5 million approx.) during 1978-79 to Rls. 1,287.8 million ($ 16.2 million approx.) by 1981-82. The public consumption after a decline during 1979-80 and 1980-81, rose from Rls. 856.4 million ($ 12.1 million approx.) during 1978-79 to Rls. 905.3 million ($ 11.4 million approx.) by 1981-82.

The gross investment at fixed prices declined from Rls. 858.3 million ($ 12.1 million approx.) during 1978-79 to Rls. 566.5 million ($ 7.1 million approx.) by 1981-82. However, the data given in Table 10 show the Gross National Product (GNP).

Prices

The aggregate demand for goods and services increased faster than the corresponding supply during the period 1970-71 to 1975-76. During 1960-70, the average annual price increases were slow at 2.5 per cent. The inflationary pressure started to build up during 1971-72, which reached its peak during 1974-75. The wholesale price index and the consumer price index also increased by nearly 21 per cent and 20 per cent respectively during the year.

With a view to control inflation, the Government reduced import duties and the import registration fees and deposits.
Table 10

GROSS NATIONAL PRODUCT AT 1974 FIXED PRICES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Private consumption</td>
<td>1,798.0</td>
<td>1,520.6</td>
<td>1,383.2</td>
<td>1,287.8</td>
</tr>
<tr>
<td>2</td>
<td>Government consumption</td>
<td>856.4</td>
<td>711.5</td>
<td>770.5</td>
<td>905.3</td>
</tr>
<tr>
<td>3</td>
<td>Gross investment</td>
<td>858.3</td>
<td>623.2</td>
<td>608.8</td>
<td>566.5</td>
</tr>
<tr>
<td>4</td>
<td>Machinery</td>
<td>280.9</td>
<td>198.8</td>
<td>204.1</td>
<td>204.1</td>
</tr>
<tr>
<td>5</td>
<td>Private sector</td>
<td>110.8</td>
<td>101.5</td>
<td>105.1</td>
<td>74.8</td>
</tr>
<tr>
<td>6</td>
<td>Public sector</td>
<td>170.1</td>
<td>97.1</td>
<td>98.1</td>
<td>129.3</td>
</tr>
<tr>
<td>7</td>
<td>Consumption</td>
<td>577.4</td>
<td>474.4</td>
<td>405.7</td>
<td>362.4</td>
</tr>
<tr>
<td>8</td>
<td>Change in inventories</td>
<td>-427.8</td>
<td>-27.2</td>
<td>5.3</td>
<td>185.3</td>
</tr>
<tr>
<td>9</td>
<td>Net External Account</td>
<td>102.9</td>
<td>106.9</td>
<td>-200.8</td>
<td>-442.0</td>
</tr>
<tr>
<td>10</td>
<td>Net Factor Income from Abroad</td>
<td>-83.4</td>
<td>57.3</td>
<td>13.9</td>
<td>49.4</td>
</tr>
<tr>
<td>11</td>
<td>Errors</td>
<td>122.4</td>
<td>163.1</td>
<td>66.9</td>
<td>157.6</td>
</tr>
<tr>
<td>12</td>
<td>Terms of Trade Effect</td>
<td>-35.4</td>
<td>219.6</td>
<td>214.8</td>
<td>212.3</td>
</tr>
<tr>
<td>13</td>
<td>GNP</td>
<td>3,202.4</td>
<td>3,774.9</td>
<td>2,862.6</td>
<td>2,922.1</td>
</tr>
</tbody>
</table>

The introduction of subsidies on the basis of consumer goods and on certain raw materials and intermediate goods, rent control, and the establishment of public utility charges were adopted as control measures. However, the rate of domestic inflation has been faster due to oil boom and high rates of growth of expenditures in private and public sectors. A rapidly growing inflationary pressure along with rising import prices and the domestic price level, added fuel to the fire. Therefore, during 1975-76, the wholesale price index rose by 6 per cent. During the year 1976-77, while the average consumption price index rose by 16.6 per cent, the wholesale price index went up by 13.5 per cent. During 1978-79, the rate of growth of consumer price index stood at 9 per cent which was less than the 25.1 per cent increase during 1977-78. This slow rise was due to the decline in price of housing during 1978-79. The wholesale price index rose by 8.7 per cent in comparison to the year 1977-78, when it had shown a 14.6 per cent increase.\(^1\) The inflation rates estimated for the year 1978, 1979 and 1980, stood at 10, 12 and 27 per cent respectively;\(^2\) while the rate of inflation during 1982 was estimated to be around 15 per cent.\(^3\) However, in 1983, the rate of inflation was estimated to be 20 per cent.

\(^1\) Bank Markazi Iran, Annual Report and Balance Sheet, Tehran, Iran, 1979, p.13.
\(^2\) Middle East Economic Digest (MEED) Weekly, op.cit., p.10.
\(^3\) Iran: An Economic West Minster Bank, February, 1983.
Agricultural Sector

In spite of the so-called 'White Revolution', the total agricultural output in Iran has been increasing very slowly. The performance of agriculture in the past few years has been far behind other sectors.

Before the land reform in 1963, agriculture always had been important to the Iranian economy in terms of GNP, but thence after its contribution tended to decline relatively. Iran has a total surface area of 165 million hectares out of which only 79 million hectares can be classified as utilized. About 19 million hectares of this are used for feed and orchard crops.

The agricultural sector in Iran was characterised by extreme backwardness and low marketability. This was due to unfavourable climatic conditions and water shortages. A continuing lag in adopting modern technology also added to the phenomenon.

Due to favourable weather conditions and implementation of various projects, there was a considerable increase in agricultural output during 1976-77. Therefore, value added by this sector during the year rose by 6.4 per cent at constant prices.

However, a comparison of the production figures for 1976-77 with the figures for 1976-77, indicates a considerable
decrease in the production of the sector.\(^1\)

During 1978-79, the total investment was estimated at Rls. 36.4 billion (\$516.4 million approx.) and Rls. 27.2 billion (\$385.9 million approx.) for the development of agriculture and water resources respectively. The figures indicate a 13 per cent and 40 per cent decline respectively over the similar figures for the year 1977-78.

The 1981-82 budget allocated about Rls. 7.9 billion approximately (\$100 million)\(^2\) for revitalising agriculture and agro-business projects which were initiated earlier.

During 1984-85, Rls.96.71 billion (\$1.1 billion approx.) have been allocated as national credit for the agricultural sector, which shows an excess of more than Rls. 66.6 billion (about \$766.7 million) over the provisions for the year 1983-84.\(^3\)

The Iranian economy continued to increase its dependence on imported food. Iran, from a self-sufficient nation during 1960s became a major importer of food by 1976. Thus, the economy continued to increase her dependence on imported food.

\(^1\) The agricultural production rose by about 6 per cent in 1978. But then it continued to decline till 1982. In this year value added by agriculture showed an increase of 10.2 per cent.

\(^2\) Middle East Economic Digest (MEED), Weekly, May 15, 1981.

\(^3\) Keyhan (Air Mail), Tehran, Iran, December 14, 1983, op.cit., p.7 (Persian).
The total import accounted for Rls.140.9 billion ($2 billion approximately) during 1977. The forecast put the imported food at Rls. 281.9 million approximately ($4 billion) for early 1980s.

Industrial Sector

The industrial sector in Iran showed recorded significant growth during 1960s and 1970s. The industrial production in manufacturing, mining, construction, and electric power increased their value during 1975-76 and 1976-77 to about 23 and 22 per cent respectively at constant prices. The share of the industrial sector in the GNP rose from 14.2 per cent in 1974-75 to 18.2 per cent by 1976-77. However, electricity and gas registered the highest rate of growth; while manufacturing grew slowly. The high rate of growth in the industrial sector gave impetus to the new industries to produce more. For example, the output of car, buses, trucks, refrigerators and other consumer durables and also of some investment goods increased. Industrial production registered an average rate of 15.3\(^1\) per cent during 1960-71.

The industrial activities provided one fifth of the increase in the GNP during 1960-76.

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During 1978-79, due to administrative bottlenecks, viz., lack of coordination in industrial planning and flight of many industrialist abroad, along with the rapidly spreading strikes resulted in deterioration and complete standstill of work in industrial establishments. The production of large scale manufacturing declined by 15.7 per cent\(^1\) over the previous year. Accordingly the industries and mining showed stagnation during 1978, 1979 and 1980. In 1978 and 1979 there was a 17. per cent reduction in production; while the share of mines and industry in Iran's GNP fell from 15.8 per cent in 1980 to 14.3 per cent in 1981. However, with the improvement in the economy, there was 1.5 per cent increase in the value of this sector during 1982-83. Rls.152 billion ($1.8 billion approx.) have been allocated for industry for the year 1983-84. This would touch a figure of Rls.166 billion ($1.9 billion approx.) by 1984-85.

Employment

Employment and allocation of labour force between different sectors is crucial in the process of development. Unfortunately, detailed data on employment in Iran have not been enough. In the absence of comprehensive information concerning the labour market, the task of measuring the impact

\(^1\) Bank Markazi Iran, Annual Report and Balance-sheet, Tehran, Iran, 1979, op.cit., p.35.
of Iran's development planning on the total use and distribution of labour force is not easy. The only figures obtained were the result of 1966 and 1976 Census, which show that in 1976 the total employed population in agriculture was 34.0 per cent. The industrial sector employed 34.2 per cent of the total labour force; while the service sector employed 3.9 per cent. In early 1976, there were more than 27,000 skilled and semi-skilled foreign workers with work-permits, engaged in industrial transport, construction and health sectors in Iran. It obviously speaks of the shortage of skilled and semi-skilled workers in Iran as also regarding the policy of the then Government to encourage foreign nationals at the neglect of the infrastructural base of the economy. This could happen in the wake of an improper education and training policy.

Employment in the agricultural sector continued to decline as workers migrated to the urban areas. This was due to a picking up activity in industry and service; while agriculture has been relatively slow-growing, workers continued to more to the industrial towns leaving their rural jobs and there was an annual 8 per cent rate of shifting. Table II indicates the employment structure of work force in Iran during the years 1972, 1977 and 1984.

The employment opportunities envisaged will absorb the 3,00,000 new entrants to the employment market annually. Furthermore, the stepping up of the growth rate for the
<table>
<thead>
<tr>
<th>Occupational Groups</th>
<th>1972</th>
<th>1977</th>
<th>1984</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, Technical and Related Works</td>
<td>423</td>
<td>706</td>
<td>1,400</td>
</tr>
<tr>
<td>Administrative and Managerial Workers</td>
<td>22</td>
<td>46</td>
<td>150</td>
</tr>
<tr>
<td>Clerical and Related Workers</td>
<td>240</td>
<td>325</td>
<td>500</td>
</tr>
<tr>
<td>Sales Workers</td>
<td>718</td>
<td>885</td>
<td>1,100</td>
</tr>
<tr>
<td>Agricultural, Animal Husbandry, Forestry and Fisheries</td>
<td>3,620</td>
<td>3,570</td>
<td>3,050</td>
</tr>
<tr>
<td>Miners and Quarryman</td>
<td>18</td>
<td>54</td>
<td>100</td>
</tr>
<tr>
<td>Transport Workers</td>
<td>1,211</td>
<td>1,252</td>
<td>1,300</td>
</tr>
<tr>
<td>Production and Related Workers</td>
<td>1,819</td>
<td>2,581</td>
<td>4,000</td>
</tr>
<tr>
<td>Service Workers</td>
<td>1,058</td>
<td>1,143</td>
<td>1,500</td>
</tr>
</tbody>
</table>

remainders of the 1970s following the increase in oil prices, produced a shortage of skilled workers, which was met only by the introduction of expatriates.

Due to economic dislocation and a policy of cancellation of some of the high-cost projects, reported the rate of unemployment increased. Compared with the previous year (1980-81), there has been a 10.5 per cent decline in the annual rate of production during 1981-82. As such during 1982-83 the unemployment was estimated around 1.2 million. However, the First Five Year Economic Development Plan (1983-88), with its targets and schemes touching the various sectors of the economy, envisages that the rate of unemployment will decline from 19.2 per cent\(^1\) in 1983 to 11.9 per cent by 1988.

Foreign Trade

The growth of value of imports surpassed the export-value of non-oil commodities, resulting in a balance of trade deficit. During 1973-78, there was an annual increase of 34 per cent (on fixed price basis) in balance of trade deficit. And, from about Rls.265 billion ($ 3.5 billion) during 1973-74 it reached to about Rls. 796 billion ($ 11.3 billion) by 1977-78. However, since 1978-79 the deficit in

balance of trade declined from about Rls.500 million (§ 7.1 million) during 1978-79 to about Rls.380 million (§ 5.4 million) during 1979-80. In the agricultural sector total export value of commodities during 1973-80 declined to 11 per cent, when it reached (from about Rls.52 billion) (§ 687 million) during 1973-74 to about Rls.22 billion (§ 307 million) by 1979-80. The total value of imports during the same period increased from Rls.318 billion (§ 4.2 billion) during 1973-74 to Rls.401 billion (§ 5.04 billion) by 1979-80. The share of total import in the foreign trade of Iran rose from 86 per cent in 1973-74 to 95 per cent by 1979-80.

Export Trade

Iran exports both oil and non-oil products. Non-oil exports include carpets, cotton, fresh and dried fruits, etc. She also exports mineral and metallic ores, and other industrial products, viz., ready-made clothes, motor vehicles and certain hydro-carbon solvents, obtained from oil. She has been exporting more than 95 per cent of her crude oil. 2 More than 70 per cent of crude oil was being shipped to the United States

1 See Appendix III for data pertaining to 1981.
2 Oil is the dominating export product. The oil revenues are normally shown separately from other visible exports in the balance of payments.
of America,\(^1\) Western Europe and Japan. The natural gas was being piped to the Soviet Union, and refined oil products were being exported to East European and the developing countries.\(^2\)

The value of non-oil exports touched the figure of Rls. 44.0 billion approx. ($625 million) during 1977-78, as against Rls. 41.81 billion ($635 million) during 1973-74. During this year the Bank Markazi, Iran, extended export credit facilities to exporters. But due to increase in domestic demand and also poor quality of some commodities the total exports were not more than $595 million equivalent to Rls. 45.77 billion approximately. The value of exports during 1978-79 decreased to about Rls. 38.26 billion ($543 million) showing a fall of 13.2 per cent. It is important to note that economic recession and strikes by industrial workers caused economic dislocation in Iran. With a view to encourage non-oil exports, the Bank Markazi Iran, adopted a policy of Exchange Preference Rate. And, it is reported that the exports increased; though mainly due to increased carpet exports. The total value of exports amounted to Rls. 36,485 million ($459 million approximately), 39.0 per cent\(^3\) of this being the value of carpet exports.

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1 After the Islamic Revolution and the hostages issue, economic relations with the United States has been severed.
2 Middle East Economic Digest (MEED), Weekly, 1977, p.10.
3 Plan and Budget Organisation, Statistical Year Book of Iran (March 21, 1980 to March 20, 1981), Tehran, Iran, p.666 (Persian).
The Socialist Countries interested in barter deals have also been Iran's partners in trade. During 1973-80, the value of Iranian exports to these centrally planned economies registered a growth rate of 2.2 per cent annually. Exports increased from Rls.12.35 billion approximately ($163 million) during 1973-74 to Rls.12.54 billion approximately ($178 million) by 1977-78. The share of Socialist Countries in Iran's total exports increased from 2.2 per cent to 2.8 per cent during the same period. During 1979-80, the total exports of Iran to Socialist Countries amounted to Rls. 6.77 billion approximately ($96 million). During 1973-80, about 60 per cent of the total non-oil Iranian exports went to the Socialist Countries. It means 16 per cent share for these economies in the total Iranian exports.

Likewise, the EEC also has been the importer of the Iranian non-oil products. During 1973-78, the exports of non-oil commodities declined at an annual rate of 7 per cent from Rls.16.06 billion approximately ($212 million) during 1973-74 to Rls.10.92 billion approximately ($155 million) by 1977-78. The share of Iranian export to the EEC rose from 25 per cent during 1977-78 to 51 per cent by 1979-80, total exports amounting to Rls.29.39 billion approximately ($417

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1 The European Economic Community initially had six members (The FRG, France, Belgium, Netherlands, Italy and Luxembourg). It was enlarged in 1973 after the U.K., Denmark and Ireland joined it. In 1981 Greece became its 10th member.
million) during 1979-80. Among the EEC countries, the Federal Republic of Germany topping the list of importers of Iranian products with 18 per cent of her share in the total Iranian exports, was followed by Italy, Switzerland and France in receding order.

The total value of Iranian non-oil exports to the OPEC countries increased from Rls.29.24 billion approximately (¥ 385.9 million) by 1973-74 to Rls.40.02 billion (¥ 567.8 million) by 1979-80, thus, showing a 7 per cent share in the Iran's total exports during 1979-80. During 1973-74 to 1979-80, the exports of non-oil commodities was dominated by traditional and agricultural goods, showing a share of more than 72 per cent in total exports. Carpet and cotton were the leading exports.

The total value of the industrial products with a comparative annual growth rate of 6.4 per cent increased from about Rls.8.03 billion (¥ 106 million) during 1973-74 to about Rls.9.58 billion (¥ 136 million) by 1977-78. During 1977-79, the total value of industrial products increased by 20 per cent over that of 1977-78. During 1979-80, the total value of industrial products decreased to about 59 per cent against the corresponding figure of 1978-79; their share in the total non-oil exports, slumping from 21.7 per cent during 1977-78 to 8.2 per cent by 1979-80.
Import Trade

Iran imports items, viz., machinery, spare parts, iron and steel, medical and chemical material, electrical equipments, food and live animals, beverages and tobacco, etc.\(^1\)

Iranian trade has been suffering during 1960s and upto 1971-72 much due to rise in imports rather than her decreasing exports. During 1960s, the value of total visible imports amounted to 15 percent of the GNP. But since 1973 with the increase in the oil revenue started having enormous surpluses of foreign exchange.

It may be remarked that more than 27 per cent of the total imports during 1970s have been of defence items. During 1971-72 to 1975-76, the largest share of growth in the value of total imports, went to transport equipments, machinery and tools, which together accounted for 43 per cent of the total. The total imports of food-stuff was estimated at 14 per cent of the total imports. Paper products, yarn, and iron and steel comprised 28 per cent of the total imports.

The Islamic Government in 1979 adopted a policy of curbing non-essential imports which were reduced to about Rls.845 billion (\$ 12,000 million).\(^2\) Further, with a view to supervise

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1 Askari Hossein and Majin Shebheh, Recent Economic Growth in Iran, Middle Eastern Economy, \textit{op.cit.}, p.113.
implementation of Government's control measures, official Clearing Centres were set up at Tehran and other places. Under this Plan the Islamic Government allowed importers to conduct their import enquiries abroad and clear goods through these clearing Centres. In accordance with Article 44 of the Iranian Constitution which stresses at nationalisation of foreign trade, it was during 1979-80 that this sector was nationalised. But in 1983 the Council of the Guardians of the Constitution rejected the nationalisation Bill.

During 1973-78 there was an annual growth rate of 41 per cent in imports, which rose from Rls. 280.79 billion approximately ($3.7 billion) during 1973-74 to Rls. 102.89 billion approximately ($14.6 billion) by 1977-78. During 1978-1980 the total of imports was depressed. However, the total value of imports was accounted during 1978-79 and 1979-80 at Rls. 732.9 billion approximately ($10.4 billion) and Rls. 683.6 billion approximately ($9.7 billion) respectively.

During the same period, there was a change in the composition of imports also:

- The share of consumer goods in the total imports rose by 15 per cent during 1973-74. However, during 1977-78, it reached to 18.4 per cent; while during 1979-80, it reached to 26.4 per cent.

- During the period 1973-78, the total value of imports of raw materials and intermediate goods also rose comparatively by 36.6 per cent. The statistical data of
Bank Markazi, indicate that from Rls. 174.24 billion approximately ($ 2.3 billion) during 1973-74, the value of imports rose to Rls. 556.7 billion approximately ($ 7.9 billion) by 1977-78. During 1978-80, the data showed a decrease in the imports of raw-material and intermediate goods; while in 1979-80, the total value was accounted at 373.5 billion approximately ($ 5.3 billion).\(^1\)

During 1973-74, the total import value of capital goods showed an annually growth rate of 45 per cent; and, it rose from Rls. 68.63 billion approximately ($ 906 million) during 1973-74 to Rls. 281.0 billion approximately ($ 4.0 billion) by 1977-78. The share of capital goods during 1978-80 decreased; while it declined from 28 per cent during 1977-78 to 19 per cent by 1979-82.\(^2\)

During 1973-78, more than two-fifth of Iran's total imports came from the European Economic Community (EEC), followed by the United States, Japan, and Australia in receding order. Imports from the EEC registered an annual growth rate of 40 per cent when rose from Rls. 121.2 billion approximately ($ 1.6 billion) during 1973-74 to Rls. 443.9 billion approximately ($ 6.3 billion) by 1977-78, declining again to Rls. 260.7 billion approximately ($ 3.7 billion) during 1979-80. The EEC's share in the total imports declined from 43 per cent during

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1 The decrease in the total import of raw-materials and intermediate goods, indicates that capital investment in industry was depressed.

2 Data concerning composition of Iranian imports have been given in Appendix IV.
1977-78 to 39 per cent during 1979-80. The EEC countries participated in Western economic sanctions against Iran in November, 1979. The EEC exported worth about Rls. 27.20 billion ($ 3.26 billion) to Iran by 1982.

In 1982, the Federal Republic of Germany was the leading exporter to Iran with a total value of Rls. 116.81 billion approximately ($ 1,400 million).

However, the Government adopted a trade policy favouring the third world countries and stressed at oil exports to encourage imports into Iran. To suit this policy there has been a change. The United Kingdom moved from third position to fifth position as regards the total value. Iran has been importing agricultural products mainly from Australia whose exports to Iran amounted to about Rls. 21.69 billion ($ 260 million) -- thrice higher than her exports to Iran during 1979. She supplied about 2/3rd of the total Iranian requirements of wheat. Japan with a total of Rls. 110.64 billion approximately ($ 1,570 million), topped the list of exporters to Iran. However, her share in 1982 was considerably low, when exports to Iran were accounted at Rls. 98.42 billion approximately ($ 940 million).

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1 The sanction by the EEC has been lifted by the beginning of 1981.

In 1981, goods worth Rls. 612.55 billion (≈7.710 billion) were exported by the OECD Countries.\(^1\) Japan topping the list of exporters with an estimated value of about Rls. 146.99 billion (≈1.850 million), was followed by the Federal Republic of Germany (about Rls. 127.91 billion or ≈1.610 million) and Italy (about Rls. 59.58 billion or ≈0.750 million)\(^2\) in receding order. During 1982, the industrial countries' total exports were valued at Rls. 564.84 billion approximately (≈6.77 billion). As compared to 1981, the OECD and EEC countries occupied their position by 17 and 22 per cent respectively.

As already discussed, during the two decades -- 1960s and 1970s -- trade with the Socialist Countries and especially with the Soviet Union included delivery of manufactured goods, industrial equipments and motor vehicles in exchange for oil and gas. But during 1973-78, their share in total Iranian imports declined from 9.5 per cent during 1973-74 to 5 per cent by 1977-78. However, during 1979-80 it improved again at 6 per cent.

In 1981, the Soviet Union became the fifth exporting

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1 Organisation for Economic Cooperation and Development comprises, Australia, Austria, Belgium, Canada, Denmark, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom and the United States.

2 Middle East Economic Digest (MEED) Weekly, June 19, p. 12.
country to Iran with a total earning of Rls.51.62 billion approximately ($650 million). Rumania stood second to the U.S.S.R. at Rls.38.14 billion approximately ($480 million) during the year. Table 12 indicates actual data for non-oil exports.

Table 12

IRAN'S FOREIGN TRADE
(Excluding Oil and Gas)

<table>
<thead>
<tr>
<th>Year</th>
<th>EXPORTS</th>
<th>IMPORTS</th>
<th>Balance of Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weight (000 ton)</td>
<td>Value ($ Mn)</td>
<td>Weight (000 ton)</td>
</tr>
<tr>
<td>1973-74</td>
<td>1,885</td>
<td>635</td>
<td>6,720</td>
</tr>
<tr>
<td>1974-75</td>
<td>1,531</td>
<td>582</td>
<td>9,354</td>
</tr>
<tr>
<td>1975-76</td>
<td>1,189</td>
<td>592</td>
<td>13,328</td>
</tr>
<tr>
<td>1976-77</td>
<td>793</td>
<td>540</td>
<td>13,835</td>
</tr>
<tr>
<td>1977-78</td>
<td>1,138</td>
<td>625</td>
<td>17,139</td>
</tr>
<tr>
<td>1978-79</td>
<td>1,336</td>
<td>543</td>
<td>12,438</td>
</tr>
<tr>
<td>1979-80</td>
<td>579</td>
<td>812</td>
<td>-10,370</td>
</tr>
<tr>
<td>1980-81</td>
<td>299</td>
<td>712</td>
<td>11,012</td>
</tr>
<tr>
<td>1981-82</td>
<td>233</td>
<td>367</td>
<td>16,315</td>
</tr>
</tbody>
</table>


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1 Economic Intelligence Unit (EIU), Second Quarterly on Iran, London, U.K., 1983, p.18.
The data above indicate that Iran continues to have negative trade balance, and, that Iran's trade is being dominated by oil exports mainly. This speaks of a weak manufacturing base in general.

The Balance of Payment

As already indicated, oil continued and does continue to dominate the receipts side of the current account of the balance of payments. The Third Development Plan (1963-68) showed a satisfactory position, due to a rapid growth in oil revenues and exports of goods and services as also due to the utilisation of foreign loans and investment. The data put Iran's foreign exchange reserves at $62,600 thousand\(^1\) (Rls. 8,26,293 thousand approximately). The export of oil brought an average annual growth rate of 16.5 per cent, followed by goods and services which registered an increase of 15.4 per cent.

During the Third Plan (1963-68) the Government received a total of about Rls.17,713 million ($233.8 million), in foreign loans, while another about Rls.2,894 million ($38.2 million) entered Iran in the form of private loans and investments, mainly coming from the Western Countries.

\(^1\) Plan Organization, Third Development Plan (1963-68), Tehran, Iran, 1970, p.10.
During 1968-1973, oil receipts increased at an annual rate of 22 per cent. During 1975-76 oil accounted for 88 per cent of the total foreign currency, showing an increase in Iran's foreign exchange revenues.

As a result of rise in oil output which led to a rise in the oil revenues Iran moved from a position of deficit (Rls. 21,28 billion approximately or $ 281 million) during 1971-72 to a surplus of (Rls. 196.7 billion approximately or $ 2,946 million) during 1975-76. During the Fifth Development Plan (1973-78), Iran's policy was stated lying emphasis upon exports. This resulted in about Rls. 72.02 billion ($ 102.2 billion) earnings of foreign exchange during 1973-78.

Iran's Balance of payments position got improved when it touched a figure of about Rls. 143,874.7 million ($ 20,415 million) during 1977-78 against a figure of about Rls. 1,61,590 million ($ 2,288.0 million) for 1976-77. During 1978-79, the wide spread strikes in the wake of revolution paralised most of the industrial activities. Oil industry was mostly affected, and this resulted in a drop in foreign exchange holdings. The balance of payments stood at about Rls. 40,805 million ($ -579.0 million). During 1979-80, it stood at about Rls. 3,98,825 million ($ 45,651.0 million) while during 1980-81 it stood about Rls. -4,70,343 million ($ -6,504.0 million) (Table 13).
Table 13

BALANCE OF PAYMENTS
(1976-1981)  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ACCOUNT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil</td>
<td>20,488</td>
<td>20,713.5</td>
<td>17,867.2</td>
<td>19,315.7</td>
<td>11,607.2</td>
</tr>
<tr>
<td>Gas to the Soviet Union</td>
<td>183</td>
<td>191.2</td>
<td>248.5</td>
<td>70.5</td>
<td>243.3</td>
</tr>
<tr>
<td>Other exports</td>
<td>472</td>
<td>523.8</td>
<td>417.1</td>
<td>442.9</td>
<td>628.1</td>
</tr>
<tr>
<td>(b) Services</td>
<td>3,261</td>
<td>4,161.6</td>
<td>-4,204.8</td>
<td>2,829.3</td>
<td></td>
</tr>
<tr>
<td>2. Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods</td>
<td>-20,247</td>
<td>-24,496.0</td>
<td>-23,238.6</td>
<td>-16,548.7</td>
<td>-18,813.4</td>
</tr>
<tr>
<td>Services</td>
<td>-4,187</td>
<td>-7,942.9</td>
<td>-9,687.2</td>
<td>-5,003.6</td>
<td>-3,070.0</td>
</tr>
<tr>
<td>3. Capital Flows</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflow</td>
<td>1,766</td>
<td>1,505.2</td>
<td>316.5</td>
<td>-110.2</td>
<td>-306.6</td>
</tr>
<tr>
<td>Outflow</td>
<td>3,475</td>
<td>-2,112.4</td>
<td>-2,273.5</td>
<td>-1,224.5</td>
<td>647.8</td>
</tr>
<tr>
<td>4. Errors &amp; Omissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Balance</td>
<td>2,288</td>
<td>2,041.5</td>
<td>579.0</td>
<td>5,651.0</td>
<td>-6,540.0</td>
</tr>
</tbody>
</table>

The data above also indicate that the current Accounts Receipts declined from about Rls. 1,723 billion approximately ($24,404 million) during 1976-77 to about Rls. 1,008.5 billion ($13,947.1 million) by 1980-81, showing a deficit of $-4,866.3 million (about Rls. -35,119 billion).

However, during 1982, a spectacular improvement has been registered in the external accounts, mainly due to:

- A strict import control concerning non-essential and luxury items.

- Repairs of some of the pipelines which were destructed due to Iraqi aggression, leading to a resumption of oil supplies to the tune of 2.5 million barrels per day more than the normal exports.

The statistical figures indicate that with the improvement on both the sales and foreign payment of about Rls. 238 billion ($3 billion), trade deficit in 1981 turned into a surplus of Rls. 542.3 billion approximately ($6.5 billion)\(^1\) by 1982-83.

Foreign Exchange Position

During 1973-74, there was a rapid increase in the value of oil exports, both due to oil price movements in the international market and Iran's increasing oil output. In 1973,

\(^1\) *Etalaat 'Economic Annex', Tehran, Iran, October 2, 1983. p.4 (Persian).*
the price per barrel of oil moved up from about Rls. 20.68 ($2.73) to Rls. 97.04 ($12.81), causing a rise in the export value. The export value of oil stood at about Rls. 1,642 billion approximately ($23.3 billion) during 1978 as against about Rls. 318 billion ($4.2 million) in 1973. The foreign exchange receipts for 1978 were projected at Rls. 8,034 billion approximately ($114 billion) showing an increase over the 1973 figure of Rls. 7,012 billion approximately ($99.5 billion).

However, foreign exchange reserves on the eve of Islamic Revolution stood at a low level. But at the end of 1982, they stood at Rls. 417 billion approximately ($5 billion) compared with only Rls. 83.4 billion approximately ($1 billion) earlier during the year. Therefore, it may be inferred that due to a policy of curbing non-essential and luxury imports and a judicious exploitation of natural resources including oil, the economy may lead itself on path to recovery and development.