IRAN
Challenges of Today

Special Report IMIDRO Double Issue
Five Years of Brilliant Record!
Financing Petrochemicals, Oil & Gas Sector

- Facilities: 389 million euros
- Direct Employment: 1,550 people

Kavian Petrochemicals
Bushehr Province

Financing Power Plant Sector

- Facilities: 230 million euros

Mahtab Kahnuj Power
Kerman Province

The total output capacity of the country stands at 70,000 MW with the Bank of Industry and Mine financing about 9 percent (6,900 MW) of the electricity output.
Minister of economic affairs and finance has appointed Dr. Hossein Mehri as the new Chairman of Board of Directors and Managing Director of Bank of Industry & Mine (BIM).

Dr. Mehri holds a doctorate degree in entrepreneurship and previously served in the positions of deputy telecommunication minister and deputy managing director of BIM.

Speaking at his introduction session, he said paying specific attention to the human asset would be among the most important issues of the bank. He reiterated that specialized and skill-oriented trainings towards professional development of the staff would be a priority for the bank, adding, on this path experience of the developed countries should be used.

Also speaking at the event, Deputy Minister of Economic Affairs and Finance, Amir Baqeri said the outgoing CEO of the BIM Ali Ashraf Afkhami is among the outstanding managers in the banking system that has left a brilliant record for his services at the BIM.

Baqeri reiterated that the policy of the Ministry of Economic Affairs and Finance is based on selecting motivated and well-known people from within the banking system for the management and that selection of Dr. Mehri has been made with the same approach.

Afkhami said in recent years economic issues have been turned into the main subjects of the system and to this end the reform of the banking system has been considered by the country’s policy-makers.

Addressing the audience, Afkhami, compared the economic situation of the advanced countries with Iran and said the reason for the development of those countries is the education management and efforts for knowing more.

Afkhami referred to lack of overdraft from the Central Bank of Iran (CBI), increase in the capital of the bank and funding infrastructural plans in the area of power plant industries, petrochemicals and railway as the achievements of the BIM in the recent years.

Afkhami reiterated that increase in the capital of the bank and prolongation of the repayment deadline of the facilities is necessary for the protection and promotion of the activities of the BIM and, as a result, the credit of the country.
Implementation of $143 Million Industrial Projects Financed by BIM

Managing director of the Bank of Industry and Mine (BIM), saying that 143 projects with a funding of 370 trillion rials are being implemented, noted that the projects could create more than 30,000 direct jobs. Ali Ashraf Afkhami, speaking at a meeting of Hamedan Investment and Employment Committee, said: "Looking merely at the domestic market and internal capacity is a very limited look; our manufacturer must, in addition to the domestic market, turn their eyes overseas for the cause of mass production and creating of international markets." He pointed to exports of Japan and Singapore by the BIM, he pointed out: "If the export views of the BIM management in launching desalination units in the south of the country are taken into consideration, it will surely solve the problems of the southern regions and Central Plateau." The MP further announced that Manjed Soleyman Petrochemical Industries Co. (MIS), South Roushina Steel Complex, Behbahan Power Plant, and Andimeshk Power Plant in Khuzestan have been financed by the BIM. He stressed: "The main asset of the banks is the steel project that has been commissioned with 11 billion tomans. It is not merely at the domestic market, but it can reach the international markets and develop the steel industry in the south of the country, he added. He added that the bank as a development bank has managed to make great strides in the path of development and progress of the country. This bank succeeded in financing six 500 MW power plants and 24 small scale power plants adding about 3,000 MW to the capacity of the national electric grid, he announced. Afkhami also noted that the bank provided financing for the first Tehran-Qom-Islahsan express train with $1.8 billion. Moreover, the BIM has financed three desalination units each with a daily capacity of 100 thousand cubic meters to supply water to the steel industry in the south of the country, he added. BIM Extends Facilities to Kaveh Precision Tubes Design

Kaveh Precision Tubes Design will be commissioned with facilities of the Bank of Industry and Mine in March next year. The industrial project will go on stream with a foreign investment of $1.8 billion and Tehran Mashhad route with $1.7 billion facilities have been realized by the BIM. The main asset of the banks is confidence building and they can increase national security by providing loans to producers and job creation." Hamedan Governor Applaud BIM's Performance on Esfarayen Steel Project

Mohammad Nasser Nikshah, Governor General of Hamedan Province, thanked the Bank of Industry and Mine for its effective role in financing industrial projects in the country, particularly in Hamedan. Nikshah made the statement in a meeting with the CEO and Chairman of the Board of the BIM and said: "The bank, by supporting industrial projects, has helped prosperity and development of industry and production and will do its utmost to boost infrastructural projects in the province." The BIM CEO also noted: "This bank has been able to play an important role in production and creating employment in addition to providing facilities as an advisor along with domestic producers." Afkhami also spoke on other measures taken by the BIM and said in the railroad sector, the development of Tehran-Lahasan express route with $1.8 billion and Tehran Mashhad route with $1.7 billion facilities have been realized by the BIM. "Stressing that we should not be afraid of competition in the international markets and in the export and production sectors, he noted: "Some 30 years ago, Chinese banks were not among the world’s first-class banks, but today, with the change of attitude, five Chinese banks are among the world’s top banks.” The BIM CEO said there is a possibility for our industry, production, and banks to have a say in international markets, adding that our mindset in these areas should change because countries such as China, Japan did not fear the international business market. He added that his bank is proud to have offered $1.2 billion in loans and grants which will add 8 million tons to the country’s steel production volume in the next two years. Afkhami also referred to the steel industry in the south of the country, he added.

Bisutun Steel Project Receives BIM Facilities

Bisutun Steel Mine Project will be commissioned with facilities extending from the Bank of Industry and Mine in Kermanshah Province. The project will go on stream with a funding of 52 million euros in foreign exchange and 20 billion toman in local currency. This will provide direct jobs for 253 people. Bisutun steel project with a capacity of 200,000 tons of sponge and billet steel and 80 million tons of physical progress is going through its final stages.

Esfarayen Steel Project will Go on Stream with BIM Funding

Esfarayen Steel Project will be commissioned with the facilities extended by the Bank of Industry and Mine in North Khorasan Province. With the commissioning of the steel project at a cost of 89 million euros will provide direct employment for 145 people. The Esfaryan Steel Project, with an annual production capacity of 180,000 tons of steel will add about 95 percent of physical progress, is going through its final stages.

Minister of Industry, Mine & Trade Hails BIM

Mohammad Shariati Namad, the Minister of Industry, Mine and Trade, thanked the Bank of Industry & Mine for its support in the development and sustainable development of Khurasan Razavi Province and helping the development and prosperity of the country’s industry and production. Valuable projects have been funded by the BIM or through its resources in Khorasan Razavi Province, including Sahabzar steel project with 226 million euros, Simane Gharbare Asia (West Asia Ce ment, Torbat Jam) with 44 million euros plus 990 billion rials in loans with both projects having been commissioned. Azar Jam Glass Industries (Torbat Jam) with 71 million euros plus 200 billion rials; Rashed Power Plant (Torbat Heydariyeh) with 215 million euros; Khayyam Sepehr Foolad (Neyshabur) with 45 million euros; Sarakhs Tandis Tiles with 242 million euros plus 180 billion rials; Saman Daroo Company with 12 million euros; Petro Sara khs Iranian with 20 million euros; and Kashmar Textiles with 13 million euros have been supported by the BIM in the province and are at final stages or under construction. In the infrastructure and national sectors, mention can be made of the electrification, route modification and speed increase of the Tehran-Mashhad railway, which has been funded through the BIM factoring at a cost of 1.5 billion euros. Meanwhile, since 1394 (2015-16), in addition to the above-mentioned project, six plans namely Part-Papyrus, Imam Khoord, Asraye, Pusowayang Shang, Paha Pharrancy, Pars Saman Iranian and Testa Labs have been put into operation with the help of 1.180 billion loan granted by the BIM. It must be noted that the small and medium industries of Khurasan Razavi Province have received 1.090 billion rials in facilities from the BIM to boost production. BIM; Symbol of A Successful Development Project & Specialized Bank

Ferydoun Hassavand, chairman of the Parliament’s Energy Commission, thanked the Bank of Industry and Mine for the good measures it has taken in funding steel, petrochemical and power plant projects in Khuzestan Province. “The financing of industrial projects by the BIM is a symbol of a successful specialized and development bank,” he said. The bank plays a key role in the industrial development of Khuzestan Province and as a development-specialized bank has created great transformation in the progress and prosperity of the production and industry, and has developed industrial and mineral activities. He noted that the BIM has also done valuable work in creation and financing of large, small and medium sized industries in the country. On successful presence of the BIM in the international arena, the MP said: “As a leading bank both inside and in relation to international region, the BIM with its good measures and effective steps in developing our economic relations at the international level.” He said inauguration of industrial projects in various parts of the country with the facilities provided by the BIM role in the projects faced by manufacturing and employment units in the country, has been a source of pleasure for the MPs. Referring to the financing of three desalination units in Bandar Abbas by the BIM, he pointed out: “If the expert views of the BIM management in launching desalination units in the south of the country are taken into consideration, it will surely solve the problems of the southern regions and Central Plateau.” The MP further announced that Manjed Soleyman Petrochemical Industries Co. (MIS), South Roushina Steel Complex, Behbahan Power Plant, and Andimeshk Power Plant in Khuzestan have been financed by the BIM. He stressed: “Considering the high employment generated by these industries, the export and production sectors and Mine in creating job opportunities and boosting production is very important.”

Bank of Industry & Mine to Top Agency to Provide FX Facilities

The performance of the National Development Bank in 1396 (2017/18) shows that 158 projects received a total of $5 billion through its facilities in 1396, a total of 18 FX facility contracts worth $12.55 million were awarded to eligible applicants. The largest amount of the contracts went to the Bank of Indus try and Mine with $3,000 million followed by Pasargad and Mellat banks, with $1,500 million and $1,200 million respectively. It should be noted that in the past few years, the Bank of Industry and Mine has played a major role in industrial development and sustainable employment in the country through financing large and infrastructural development projects.
Iran International Magazine intends to publish, for the first time, a special issue on Mazandaran Province in cooperation with the Governor General Office of the province in January 2019.

Mazandaran Governor General Office invites all industry owners, businessmen, and exporters of technical and engineering services and all those interested in foreign trade to play a part in the special edition.
Caspian Sea
An Opportunity for Development of Exchanges

Addressing an International Conference on Export Development via the Caspian Sea in Sari, Mazandaran Governor Mohammad Eslami said that open sea, especially the Caspian Sea, is an opportunity for the people around it to develop exchanges and promote peace and friendship. He noted: “We must value this precious opportunity as a God given blessing and forge greater cooperation for peaceful coexistence and broader exchanges.”

Noting that the world today experiences various conditions in the name of peace, stability and international security which are in reality destabilizing and insecure for the region and the world, he said: “The countries of the region should get together and forge wider interactions in order to ensure stability and security more than before.”

Eslami, stating that the geographical opportunity the Islamic Republic has drawn in line with stable foreign and international security policies, including access to free waters, the Indian Ocean and the need of its littoral states for access to the Central Asian countries and the necessity of activating the North-South Corridor has defined a more special role for the Caspian Sea. “Dialogue with the Commonwealth of the Independent States (CIS) and creating space for the development of exchanges and cooperation should be the outcome of this type of conferences.”

Pointing out that diversification of cooperation topics and various issues for trade exchanges is one of the requirements of the conference, he said, the Caspian states have high capacities and through interaction and convergence they can forge sustained cooperation for the wellbeing of their nations. The foundation of these partnerships can lead to the exchange of potentials and division of opportunities and turn benefits into common interests.

He cited the development of transport as another necessity of mutual cooperation between the countries of the Caspian Sea region. He said the Islamic Republic of Iran has made considerable investments in the field of development of sea, rail, air and road transport.

Referring to Garmsar-Incheh Borun electric railway, he added that with the development of this capacity, the displacement of cargo will increase from 2.5 million tons per year to 10 million tons and the speed of trains from 60 km/h to 120 km/h. The line will pass through Mazandaran and connect the province to Amirabad Port. This will help the Caspian Sea ports’ capacities be widely exploited.

Eslami pointed to the expansion of opportunities and turn benefits into common interests.

He also emphasized on the development of export of dairy and horticultural products and protein to the Caspian Sea states as another area of cooperation. He noted that Amirabad Special Economic Zone is another opportunity to produce goods and services that can be exploited in the region.

The governor added that in Amirabad Special Economic Zone, land and facilities are given to applicants so that we can see the production and employment boom by using 1,000 hectares of hinterland at the port. He hoped that the conference would accelerate interactions between the Islamic Republic and the Caspian states and provide new partnerships for the expansion of peace and friendship and the development of trade and economic exchanges.
Economic Diplomacy

The Foreign Ministry officials’ commuter traffic to the Chamber of Commerce shows that the alarm has been sounded about the economic situation in Iran. Today, the economic conditions are more complex than expected. The president of the Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA) who hosted Foreign Minister Mohammad Javad Zarif said the hurdles thrown in the way of Iran’s financial and banking communications with the world would not easily be removed. Nonetheless, they believe that under the current economic crisis in the country, strong and powerful diplomacy can facilitate the conditions for economic activists to cope with the hurdles.

Zarif also argued that the United States was addicted to imposing sanctions, saying: “We can show the Americans that they have to quit their addiction.”

Emphasizing that the Americans are addicted to sanctions, the foreign minister said: “The world has come to the conclusion that the United States should quit its addiction to the sanctions. We can also show Americans that they ought to quit their addiction.”

The reality is that the hurdles thrown in the way of Iran’s financial and banking ties with the world cannot easily be resolved, so we should think about ways to offset US sanctions.

A common understanding between the Foreign Ministry and the private sector in the field of economic diplomacy should be created.

Economic diplomacy is an effective instrument for presence in global markets, made three proposals: Establishment of joint committee between the ICCIMA experts and representatives of the Ministry of Foreign Affairs to train the top forces to advance international negotiations; preparation of the ground for concluding preferential trade and free trade agreements between Iran and target countries; and the focus of economic diplomacy on trade and investment.

Addressing the forum, Zarif said: “We at the Foreign Ministry and our overseas missions are obliged to help you private sector activists. In my opinion, we must help you export more and have more opportunities to advance your goals. Of course, in this field, we need innovation and creativity in order to use the opportunities that come about.”

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The top diplomat emphasized: “We should not force the world to choose between us and economic pressure. In-
studies, there are some ways we can use the special features that are provided to us in this area.” According to Zarif, these special features may be a special opportunity to pay attention to. For example, interacting with small and medium-sized European companies is an opportunity that should be used because it can help the private sector’s dynamism.

Let’s Turn the Pressure to More Non-oil Exports!

Zarif added: “Given that the world is on our side, we can improve the situation every day. Therefore, all the forces of the country are united and coherent in order to be able to overcome the critical present-day situation. In this regard, private sector cooperation is needed more than ever. We can turn the pressure on us to increasing national production and raising non-oil exports, and show the Americans that they should quit their addiction.”

He said: “Despite US pressures we are a country enjoying security. But unfortunately the security and legitimacy of our neighboring countries depend on the outside; we are saddened to hear a newly empowered president, addressing our neighboring countries says if we do not support you for two weeks, you would not survive!”

Government Involvement Not Favorable

“Our task and that of the government as a whole is not to get involved in the economy but to facilitate your activity in the field,” said Dr. Zarif, stressing that the joint seminar of ambassadors and private sector activists was a good idea. He hoped that during the conference, stronger cooperation will be forged between the Foreign Ministry and private sector activists.

They Have Targeted Our Market

The ICCIMA president also said the aim of holding the meeting is primarily to provide an opportunity for the private sector to interact with Iran’s ambassadors so that the problems can be directly expressed and this could lead to straightforward solutions in face to face talks.

He stated: “Only through collaborative efforts we can overcome the problems; corporatism will not have any consequences except collective losses at a time that our existence is under threat.”

Shafei pointed to the current state of the economy from the perspective of the private sector and said the withdrawal of the United States from the JCPOA has placed Iran in a new economic environment and political environment and Trump’s abrogation of the JCPOA has raised the question as to how close are we getting to the pre-JCPOA era.

He added: “In this regard, the European Union and other JCPOA partners play an important role in preventing Washington from imposing comprehensive sanctions on Iran and show the Americans that they have been able to do their business. He added: Given the timing of the sanctions, it can be hoped that non-oil exports would not decline sharply, although judging the long-term effects of the sanctions requires time passage.

We Need Strong Diplomacy

Shafei stated that one of the achievements of the Rouhani government was to enter the economic diplomacy, adding that this issue was for the first time included in the structure of the ministry and began to work under a deputy minister.

He said economic diplomacy was raised in the 90s, especially on the eve of the Uruguay Round negotiations, and particularly between the developing countries and emerging economies. This is a highly efficient tool which ensures the participation of developing countries in global markets and benefiting from global resources. “The important thing about economic diplomacy is that all the economic activities of the government should be organized in the service of the private sector activists,” Shafei said. The ICCIMA president said: “Economic diplomacy combines the concept of government and the market, meaning that diplomacy is the responsibility of the state and the market is the main symbol of the economy that is managed by private sector activists. Thus, the government provides space through diplomacy tools for the private sector to exploit the world’s economic potentials.”

Zarif also argued that the United States was addicted to imposing sanctions, saying: “We can show the Americans that they have to quit their addiction.”

Banking Complications Continue

Shafei noted: “The reality is that the hurdles thrown in the way of Iran’s financial and banking ties with the world cannot easily be resolved, so we should think about ways to offset US sanctions. To this end we should use bilateral monetary treaties and the financial space of friendly countries to the extent that we can trust them.” He added that the ban on the supply of steel, basic metals and petrochemicals seems to be difficult because of the dispersal of vendors and the presence of private sector activists. “The experience of previous sanctions shows that it is largely impossible to ban this group of industries.” He said that the consequences of the sale of steel, basic metals and petrochemical products would emerge in the form of extra costs for exporters. It should be noted that most Iranian exporters who are currently deprived of banking facilities and had the same problem in post-JCPOA era have been able to do their business. He added: Given the timing of the sanctions, it can be hoped that non-oil exports would not decline sharply, although judging the long-term effects of the sanctions requires time passage.

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Beautiful Teeth
Sweet Smiles
Distinguished members of foreign embassies in Tehran, honorable members of foreign commercial offices in Tehran, respectful foreign tourists in Iran and, Iranians residing in remote corners of the world,
You have all being welcomed to the Clinic of Dr. Esmi and the Associates in Tehran, capital of Iran.
By applying the most advanced scientific methods, we will enable you to have beautiful teeth and sweet smiles.

During our lifetime, all of us have visited a dentist, at least, once. Good oral hygiene and prevention of caries would be the first and the most important step in dental care and keeping teeth healthy. The teeth play critical role in our health and appearance, therefore if we don’t take the necessary sanitary precautions the ground will be provided for bacterial growth and eventual destroy of our teeth.
So, if we take the necessary sanitary precautions and visit a dentist on a regular basis, we will be aware of the minor cavities and we can use the suitable and protective treatments in order to save our teeth.
However, in case of dental diseases, there are different treatment methods which are as follows:

Restorative Dentistry: Restorative Dentistry refers to the elimination of the infected dental tissues and replacement by dental materials in order to maintain the sanitary and durability of the teeth.

Aesthetic Dentistry: A beautiful smile is considered to be a key element that not only affects one’s appearance, but also increases his/her self-confidence and improves social relations.
Treatment of mal-shaped or mal-sized teeth, deviation of tooth midlines, teeth asymmetry, discoloration, smile line design, crowding, fractured teeth, etc., are considered among the issues that would be treated by Aesthetic Dentistry through the best possible shape and the least possible time.

Endodontics: In case of bacterial progression into the deeper dental tissues like dental nerves, Endodontic therapy is needed. Otherwise, the infection will proceed to the jaw bone through mouth cavity and the treatment will become more complicated.

Dental Implant: Dental Implant is a metal element usually made of titanium that is normally placed in the alveolar bone socket instead of extracted root. Then the missed tooth will be built up by a prosthetic crown in the oral cavity.

Prosthodontics: There are various methods to replace missed teeth. Prosthodontics and Dental Implantation are two of the most important methods. If the edentulous area is between the treated abutments, it’s better to solve the problem through fixed prosthesis method. However, if the teeth in this area look sounds, it’s better to prevent them from any other damages and replace the missed teeth by the implantation of a titanium fixture. This method is also known as «Dental Implants».

Periodontics: In a normal condition, a healthy gingiva is firm with pink color and no sign of bleeding. «Gingivitis» is called when the dental plaques (including food residues, microbes and mucosa) accumulate on the gingival margin and cause gingival inflammation, bleeding and halitosis.

If the plaques are not cleaned using brush and dental floss on a regularly daily basis, they will get harder and thicker gradually. Calculus is a form of hardened dental plaque which cause gingival disease and bone destruction (periodontitis).

Just like our team!

In Dr. Esmi’s dental center, specialists in different fields of dentistry are ready to render and provide the required services to the visitors by using the best modern and scientific treatment methods.
Our services include: Aesthetic and restorative practices, smile design, prosthetics, implant, endodontic therapy, periodontal therapy and maxillofacial surgery. Such services are provided by professional dentists and an experienced team.
As smile design is a very professional and scientific dental technique, you had better choose experienced and skillful experts.
My professional team and I do the best and try to render the most qualitative dental services to all fellow-Iranians and foreign tourists at the shortest possible time.
Iran International: “The Forum for Partners in Iran’s Marketplace.” This is the motto adopted by the full-color quarterly Iran International since its emergence in June 1998. Iran International focuses on the theme of partnership in various sectors of economy, trade, industry and culture.

Readership & Circulation: Iran International is regularly distributed among its targeted audience who include economic, industrial, political and cultural circles in Iran and around the world. Iranian decision-makers, government officials, industrial executives, top contractors, major commercial and financial organizations, trade partners of Iran, potential investors, joint chambers of commerce, global banks, international companies based in Iran, industrial plants within the country, embassies, cultural centers, tourist and travel agencies and international bodies form the main readership of the magazine. All articles and advertisements of the latest issue are always accessible at the magazine’s three web sites.

Publications: In addition to its four regular issues coming out in June, September, December and March, the magazine publishes special issues on occasion.

Clients: In each edition, Iran International has had the pleasure of featuring the promotional items of global players and national companies that have a key role in development of industry and economy. Our main clientele come from diverse fields of Oil & Gas, Chemicals & Petrochemicals, Industries, Mines & Metals, Automotives, Aviation & Tourism, Banking & Finance.

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Five Years of Brilliant Record! ..................................................... 67
One of the plagues the economy is struggling with today is a huge amount of wandering liquidity under conditions that no productive and safe space has been predicted to guide the cash flow. Consequently, these days, we are witnessing accumulation of an ever-increasing amount of capital in the hands of the people, which keeps the economy away from the path of development and achieving long-term economic goals.

23% Jump in Liquidity in 2017/18

The Central Bank of Iran (CBI) announced the liquidity for the month of Esfand (February-March 2018) at more than 15,290 trillion rials, up by 22.1% compared to the corresponding period last year. The money volume in this period was 1,946.7 trillion rials, which grew 19.4 percent from February-March of a year earlier. The quasi money in the statistical briefs released in February-March of the previous year reached 13,353.1 trillion rials, which increased by 22.5% compared to February-March of the previous year. These figures indicate that the CBI has not abandoned its authority for printing fiat money and has increased the figure of wandering cash flows by 23% over the same period a year before. The high figure indicates the CBI’s poor performance in issuing money in the economy.

Government’s Failure to Control Liquidity

Interestingly, despite the adoption of policies such as advance sale of gold coins and massive supply of foreign exchange at the currency markets over the past few months, the volume of liquidity has been so high that the government was unable to reduce the wandering cash flow in the economy. The government, however, is partly responsible for this situation. The government has played a major role in the growing trend of liquidity by making huge withdrawals from the banks. This has sparked widespread frustrations for the banks which are faced with scarcity of financial resources.

According to the same statistics, the banks’ liabilities to the CBI was 1,320.3 trillion rials in February-March 2017/18, which increased by 19.2 percent compared to February-March 2016/17 and 32.4 percent compared to the same period in 2015/16.

Under these conditions, if the government fails to check the increasing amount of wandering liquidity in the economy, its accumulation will cripple the economy and will no longer leave space for economic activity. The government will be unable to spend its economic assets on productive activities and will have no choice but to inject the liquidity into parallel markets. However, if the same economic policy persists, the government will no longer leave space for economic activity. If the government fails to check the increasing amount of wandering liquidity in the economy, its accumulation will cripple the economy and will no longer leave space for economic activity.\n
It goes without saying that the track of rising prices and targeting the livelihood of people is the biggest danger threatening the people in this situation; right in a year that people were waiting for long strides to be taken to eliminate poverty, we are witnessing their living condition getting worse.

Banknotes Production Waste Causes Liquidity

Meanwhile, the member of Iran Chamber of Commerce, Industries, Mines & Trade believes that part of the liquidity is due to the waste in banknote production. According to Majid Reza Hariri, 6,300 trillion rials of liquidity which is equivalent to $400 billion (based on 42,000 rials per US dollar), is not a big figure compared to the economic expanse of our country – an economy with more than $100 billion worth of foreign trade per year and a high domestic trade. He claims that a portion of the liquidity relates to the government waste based on the production of money which is done under the title “Fiat Money Printing”. Another part of the liquidity is related to spending from a treasury without production backup, such as the debts of some institutions that did not pay the people’s deposits and the government was forced to borrow from the treasury to meet the satisfaction of the protesters. Thus, the original debt remains and covers 14% of the liquidity. Hariri stressed that before looking at the

He noted that if financial transactions of individuals are monitored, it would prevent money laundering and tax evasion by big shots. The vice chairman of Iran-China Joint Chamber of Commerce said: “If in the financial system there is no space for money laundering and tax collection systems can get taxes from incomes, they would reach a point of equilibrium and there would be no concern for liquidity. It will also lead to economic growth in industrial, mineral, agricultural and service sectors.”

Noting that liquidity is written and announced mostly according to bank statements, Hariri said: “For example, a person who had 100 units of debts last year, his debts for the current year is calculated with 20% of bank interest and penalties. In other words, 26% of the liquidity is related to bank debts written only in numbers but are not real.

If the government fails to check the increasing amount of wandering liquidity in the economy, its accumulation will cripple the economy and will no longer leave space for economic activity.
Dr. Hassan Dargahi, an economist, has sent an open letter to Dr. Hassan Rouhani in which he has presented his solutions to bring the economy out of the status quo. In the introduction of the letter, Dr. Dargahi says: "Based on my religious and scientific conscience as well as the need for observing professional ethics, I decided to write directly to you concerning the critical state of the economy and discuss my proposed framework for coming out of the status quo. One of the hopes created by the 'government of foresight and hope' was attention to the scientific management of the economy in coordination with the university elites and private sector activists, but the administration of the economy was practically left to the intellectual management of individuals who neither paid attention to the economics nor did they learn from the experiences of the past in the area of economy.

"Look at the current state of economic affairs and see how the external elements took control of the domestic economic problems you had five years to resolve, and how instability was escalated. Nonetheless, the government's unscientific policy making methods in dealing with the recent instability led to more uncertainty. This writing does not intend to question the quality of government policy making unilaterally because the government is only part of the economic decision-making and economic management system of the country and it would be fair to distinguish the share of government and non-government in elucidation of the root causes of economic problems, as well as the contribution of domestic and foreign policies. Under the current state of in-credulity in the country, please consider this writing from an academic economist who has no political and economic goals, left or right, and who merely has good intentions for the government and the establishment. I voted for you at the time of the elections, and I still consider you as a person with good intentions in the turbulent world of politics.”

The necessity of internal coordination of the government, the need for coordinating the government with other elements of the establishment and the importance of recognizing economic mechanisms and scientific approaches are among the main points raised in this letter.

Dr. Dargahi believes that the existence of inconsistencies has prevented the government from reaching a single scientific analysis on the causes of the economic problems and, consequently, the solutions. "Otherwise, the results of the comprehensive economic studies project under the auspices of your Special Economic Assistant, published in 1396 (2017/18) could at least be a good guide to the current state of the economy. Differences in the analysis of economic problems with different motives and the implementation of contradictory strategies have led to no results but to discredit the government, leading to policy changes and, consequently, an increase in instability.”

Please review the government’s expansionary and contractionary economic policies during the recession of 1392 (2013/14), the important reason for which was a lack of clear elucidation of the problems and solutions based on the scientific management of the economy. For example, your economic team did not agree on expansion or contractionary monetary policies? Or is it so incapable of offering a solution to the desired foreign exchange system in different circumstances? If we add the political pressures outside the government to the inconsistencies inside the government, then the economic progress of your government has been a source of serious concern from the start. Therefore, to strengthen the coordination of economic organizations in order to explain the problems and find solutions in the framework of scientific management, rather than individuals being important, the existence of similar approaches and paradigms based on economics is important, otherwise the change of individuals would not be effective.

In compliance with improvement of the economic governance of the country, I sent a proposal to you about 3 years ago through the presidential chief of staff, which I was not even told if it had been acknowledged. Since then, I have mentioned the theoretical and empirical foundations of my proposal in various writings, including "Improving Economic Governance in Iran’s Political Structure: An Analysis on Coming out of Economic Problems”. In my proposed system, a strong, intelligent, influential and supervisory council for managing the development, implementation, and monitoring of the economic reform program is formed to utilize the upcoming opportunities, and potential capabilities for achieving employment generating as well as sustainable, in-
Mr. President! You cannot ignore the knowledge of the economy. Economic knowledge helps understand the dynamics and interaction of mechanisms and explanation of economic behaviors at micro and macro levels.

accepted until recently that the Supreme Economic Coordination Council of the three powers was formed. So this time the government should not miss the opportunity. If you do not use this capacity and the mechanism created in the area of trans-governmental decision-making and coordination, the ball of economic problems would always be in government and coordination, the staff, executive as well as governmental and non-governmental decision-making centers, the private sector, economists and economic activists. One of the important tasks of the council should be to eliminate the political-economic obstacles and challenges in the country in order to achieve the projected goals of key economic indicators and to present the legal requirements of the reform program to the three powers.

The said council would present the effectiveness of its actions every three months to the Supreme Leader to receive his guidelines in order to solve the problems of the government and eliminate the clash of interests between different political groups and institutions. Unfortunately, these proposals were not

by designing a monitoring system, the implementation of council’s decisions in the executive branches of the country should be controlled. The important thing is that there is no mechanism in place of the existing decision-making system to balance optimally between the political and socio-economic objectives of the country. Because of the interdependence of economy and politics, these two areas can not be independent-ly targeted. The council can play this important role by monitoring important socio-economic indicators and, with a realistic explanation of the requirements, play a decisive role in defining the roadmap for progress. Therefore, in the first step, the structure and decision-making processes of the council should be designed in line with the above objectives.

Mr. President! You cannot ignore the knowledge of the economy. Economic knowledge helps understand the dynamics and interaction of mechanisms and explanation of economic behaviors at micro and macro levels. Without this knowledge and by relying on imagination and intuition, policy making cannot be done. Believe me that the knowledge that has been necessary condition for development and progress for others is incidentally more effective in terms of Iran’s cultural and social capitals and can make the investments fruitful. This knowledge, like other human sciences, such as medical and engineering sciences adds to its previous reserves by discovering behavioral truths overtime. But certain currents in the country from the beginning denied the capability of the analytical tools of economics! Please show us economic complications that have been solved by this inattentiveness.

For simple minds it is hard and at the same time surprising to see that the country has always been in a state of inflation over the last forty years, while in many countries there is no such thing as inflation. Inflation is an economic phenomenon; it has economic cause and demands economic solution. In order to combat inflation in the Iranian economy, all sorts of policies were tested except for the implementation of the monetary control framework directed at controlling inflation, as suggested by economics.

Prescribed pricing method for various goods and even foreign exchange, bank interest rates, and the price of energy carriers became part of the economic literature as a dominant and continuous policy. This was to the extent that instead of providing an effective and efficient social security system, the governments tied assistance to consumers, improvement of income distribution and social justice to this policy.

If the prescribed pricing was supposed to check the inflation then rest assured that Iran’s experience would have been published in economics textbooks at the world level but according to statistical evidence this did not happen! Inflation was not only not controlled but was constantly blown up over the root of inflation, namely money plus. Not only income distribution and social justice were not improved, but the disruptions in relative prices became factors of deviation in allocation of resources and inappropriate decisions on production, investment, consumption, savings and trade at the macro level.

A few empirical studies about different countries, including Iran, should be conducted to make our statesmen understand the role of money in inflation so that we would realize that the money surplus reduces the value and the purchasing power of money, according to the business cycles and expectations of the people, and this shows itself in rising prices.

The surplus money supply, especially during your reign, has grown dramatically. In such a situation, the private sector’s demand from the consumption and investment channel is expected to increase. But the 11th government's demand from the state of recession, where neither households had incomes to consume nor businesses were able or willing to make new invest-
What has happened to the government’s expert body that you should hear exchange policy recommendations from different tribunes?

It is not possible to discuss the recent foreign exchange market conditions in Iran without mentioning the restructuring and the high foreign exchange earnings, combined with artificial appreciation of the exchange rate, led to a sharp increase in imports and a reduction in expected inflation and the rate of return on domestic production. In conditions of a slowdown in money flow (rising demand for money), politicians push for increased money supply, without fear of inflation, and in demand for money in the short run. This mechanism occurred under the 10th government when we had an abundance of oil revenues.

Because high foreign exchange earnings, combined with artificial appreciation of the exchange rate, led to a sharp increase in imports and a reduction in expected inflation and the rate of return on domestic production, in conditions of a slowdown in money flow (rising demand for money), politicians push for increased money supply, without fear of inflation, and in demand for money in the short run. This mechanism occurred under the 10th government when we had an abundance of oil revenues. In conditions of a slowdown in money flow (rising demand for money), politicians push for increased money supply, without fear of inflation, and in demand for money in the short run. This mechanism occurred under the 10th government when we had an abundance of oil revenues. What is happening to the government’s expert body that you should hear exchange policy recommendations from different tribunes?

According to President Dargahi, the government’s policy for market stabilization is crucial; otherwise, the people’s minds based on any set of information become the subjective mark. Then, the government is not the only agent for every policy it adopts. In this case, it is hoped that in the future, after relative stability is established in the political situation, the foreign exchange subsidy to the basic products, the single foreign exchange subsidies in the budget would be transferred to the government. But in the current situation, we must accept the reality of devaluation of the national currency and the rise in prices in the markets and adopt an appropriate policy to minimize the costs because its denial and adopting non-economic policies in resolving the crisis have caused more instability in the markets so far. It is suggested that in the light of the status quo and what is expected until the completion of the unilateral US sanctions and the possible reduction of oil revenues, a dual currency system, including a rate for import of commodities and an open market rate, be recognized. What is a source of concern is the emergence of the purchasing power of low-income groups and restrictions on access to basic goods that can be allocated at the exchange rate set by the CBI with the oil money. Other foreign exchange needs can be supplied from the hard currency from oil and non-oil exports in the open market.

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Nearly 40 years have passed since the establishment of the Islamic Republic of Iran. During this time, the country with widespread national support has left behind heavy threats, especially the Iraqi imposed war. In addition, important steps have been taken in line with general and academic education, health improvement, adjustment of social inequalities and promotion of some technologies and scientific advances. The high turnout of the people in the presidential and parliamentary elections, despite the economic problems, has been a major backbone for the stability of the establishment.

Unfortunately, today, the country is faced with huge political, economic, social and cultural challenges concurrently. If these issues are ignored this could result in further escalation of the economic crisis and could spark popular protests.

It goes without saying that the coincidence of this situation with the current international coalition of Iran’s enemies could lead to large and irreversible economic, social and political losses for the country. The bitter reality is that these challenges have not been imposed on us only by the enemies of the establishment; part of them is the product of the decisions taken by the state managers as a whole. Although some of these decisions have been focused on securing the interests of the powerful stakeholders, unfortunately, many institutions and wrong policies have also caused this situation. These institutions might have had good intentions but misconceptions about good governance principles and public administration have added fuel to the fire.

Therefore, we believe that without making a conscious and fundamental change in the patterns of thought, structures and political and economic institutions, the way out of the current crisis is unthinkable. To achieve this task is difficult because on the one hand it requires a new and scientific approach for analyzing the domestic and international situation in terms of national interests and adopting appropriate policies in every field, and on the other hand, there is a need for constructive interaction between the state officials and civil and public institutions.

In the past, a number of economists, sociologists and politicians have provided advice to the state officials at critical points by writing collective and individual letters and scientific articles, but the insistence of officials on continuing the false policies has caused tremendous damage to the country... Despite the ignorance of these recommendations, I believe that the current silence of scientific circles and trade associations is not permissible. The state of the economy and the society has made this author who has been working as a consultant of the Research Center of the Majlis and various governmental agencies since the 2000s, to remind points for the information of the public and the officials.

Brief Glance at Performance of Economy and Its Major Challenges

Over the past four decades (1976-2016), the population of the country has risen 2.37 times, but the average GDP growth at the same time grew only 1.82 times. Thus, the country’s per capita production at fixed prices fell and for the same reason, the people’s level of welfare has declined in this period. Also, our economic status in global production and trade has dropped. Only in the last decade the average household expenditures has fallen 17 percent at fixed prices.

Unfortunately, under the prevailing conditions, the prospects for economic growth are not very promising, and it is certain that during the Sixth Development Plan (2017/18-2021/22) we will not achieve the goals set for economic growth, improvement of productivity of production factors and reduction of unemployment. All evidence suggests that, at the end of the projected period in the Vision Plan (2025/26), the country will not only fail to surpass its regional rivals, but also our gap in terms of per capita production and technology advancement will increase from Turkey, Saudi Arabia and the United Arab Emirates.

During these long years, instead of paving the way for economic growth we have put the emphasis on the policy of population growth and economic self-sufficiency. As a result, population growth has taken over economic growth and this has created serious challenges in the labor market. Although the labor force participation rate in Iran was about 39% in 1395 (2016/17), one of the low-
The water crisis has reached a critical point with the land subsidence in most of the country’s important plains. In recent years, an increasing number of farmers and residents of warm and dry areas have left their villages to small and large cities. The shortage of water resources is so acute that food security in the country is in danger, and farmers and city dwellers in some areas for the first time after the Revolution have stood against the responsible bodies and officials.

Indeed, an important part of the state-owned corporations was handed over to the Social Security Organization and the civil servants and military personnel pension funds and another part was ceded to military and civilian organizations. Thus, a new capitalist class was born in Iran, which had a close relation-ship with power centers. This capitalist class not only got rich through buying public assets at low prices but overtook the private sector by profiting from the rent derived from the surplus of land and urban real estate. This type of capitalism is referred to in political economy as relationship-based or friendship-based capitalism. Instead of using innovation rents in the production and distribution of goods and services, this group takes advantage of the economy at every opportune time.

The lack of proper institutional arrangements for establishing a market economy and the formation of islands of conflicting interests as state corporations, companies affiliated to non-governmental organizations, formal and informal private sectors and unfavorable business environment have been among the main causes of economic back-inning of the institutions that support development and financial corruption, and the destabilizing effects of oil revenue actualizations, is another factor affecting the weak performance of the economy.

In 2016, Iran ranked 131 in terms of corruption perceptions index among 76 countries. While the ranking of our neighboring Muslim country, Turkey in the same year was 75. The reflection of what was said above can be seen in the continued state of affairs in the business environment.

The experience of the last 40 years tells us; firstly, in the absence of the internal coherence of the sovereignty and clean bureaucracy, we cannot have a government independent of the exclusive interests and avoidance of harmful deals between the public and private sectors. Secondly, without the establishment of sustainable development institutions and policies, given the characteristics of the Iranian society, one cannot be hopeful about the success of the five-year development plans, the Vision Plan and the general policies of the Expedi-ency Council.

Iran is a country with potentially large political, cultural and economic capabilities that can be actualized.

Iran is a country with potentially large political, cultural and economic capabilities that can be actualized. Unfortun-ately, we have not been successful in this respect in the past years. Since we know that by implementing the said re-forms, the interests of powerful groups and the opportunistic wills will jeopardize their negative response to these recom-mendations is not unexpected.

Nevertheless, the Islamic Republic of Iran at this critical time should adopt one of the following two options: Con- tinuing the policies of the past or accepting and implementing tough fundamental economic, social and ... reforms with the participation of the vigilant Iranian people. The adoption of the second op-tion requires observance of the principle of priority of the interests of the society to individual interests and a fundament-al shift in the worldview of the offi-cials of the country. The government, in the sense of a set of governing powers, plays a central role in the dignity of the society.

Let’s hope that this historic opportunity will not be lost due to ignorance and our society will not suffer more than this.
A look at Mr. Hassan Rouhani’s administration in the 11th and 12th governments shows that since the beginning of its formation, the government has not had a coherent and integrated economic team, and there have been different opinions on the issue. During this time we saw that there was no coordination between the activities of the Ministry of Finance and Economic Affairs, the Central Bank, the Management and Planning Organization (MPO), and the Ministry of Industry, Mine and Trade, while there was no trace of a coherent thinking in these organizations individually. Therefore, we have seen virtually no achievement one could attribute to the application of a clear and consistent approach in the cabinet. Instances such as reducing the inflation rate and stability in FX market in Rouhani’s first term should be defined in the form of overflow of a political breakthrough, because after the nuclear deal (Joint Comprehensive Plan of Action) was signed, there was great optimism about the future. Also, positive expectations reduced the turbulences inherited from the former government in macro indices. If we put aside these cases, virtually no other economic achievement can be attributed to the government.

Rouhani’s first government did not make tangible changes in reforming the system of targeted subsidies, adjusting the price of energy carriers, improving the business environment, and many other things. Last year, under Rouhani’s second government, we faced challenges that showed continued delay in making structural reforms in the economy. The accumulation of the problems left from the Ahmadinejad government, the dramatic increase in liquidity over these years, stabilization of the exchange rate despite two-digit inflation, the inadequate business environment and the lack of a sustainable economic prosperity along with external pressures, have created turbulences in macroeconomic variables, and have taken us back to the early days of the 11th government and the difficulties of those days.

Under these conditions, some people think a reshuffle of high-level economic officials is the way to come out of the impasse; but it is necessary to reiterate that, in principle, the displacement of individuals is not important; what should change is the line of thinking that controls the decision making process of the government. For example, according to some news reports even from the very beginning, at the level of some ministers, an agreement was reached on the creation of a secondary foreign exchange market and crossing the 42,000 rials per USD, but had faced the opposition of high-ranking officials, including the President himself.

Another example is the price of energy carriers where no change has occurred and Oil Ministry experts have not been able to convince the government to correct prices and this has faced the resistance of the MPO. Therefore, changing the economic team would not be effective because the final decision makers would not change their approach, and since final decisions require their agreement it is their economic line of thinking that should change.

In the current situation, the most important requirement is for the government to admit that it cannot control the economy through an imperative approach and as long as it refuses to accept this fact, no policy would yield result. When Mr. Es’haq Jahangiri (the First VP) stated that the exchange rate (USD) approved by the government was 42,000 rials per USD and that the government would not accept any other rate, this clearly showed how ignorant were the top decision makers about the reality of the market mechanism! This is similar to saying that as of tomorrow you would not accept the law of gravity in physics! The market has nothing to do with our beliefs and continues to operate under its own mechanism. The prerequisite for all structural reforms is to accept the basic rules of the economy, and without it, no proper policy can be implemented.

Strangely, these days there are talks that some high-level government of-
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ficials have said that it is not logical to speak of a free economy under the status quo, and that the situation required the government to exercise more control over different markets. Regrettably, it must be said that this remark shows how poor is their economic knowledge!

That a politician states that “we are not in a position to accept the law of grav- ity” lacks scientific logic. Unfortunately, in the field of humanities and econom- ics this is not the case, and politicians easily refute the laws governing these sciences. Which economist has claimed that economic laws are not effective in economic war conditions, and under what logic? Based on which book of dif- ference such a claim is made?

The truth is that wherever and whenever politicians have tried to re- place economic laws with their own will in the form of imperative government instructions on the pretext of state of emergency, they have failed. Wherever and whenever they have denied the in- visible hand of the market (economic laws) they have been slapped with the same hand! The problem is that the govern- ment would pass the pain of the slap to ordinary people like you and me.

It is really surprising that some critics of the current economic situation attribute their actions to the government to the outcome of free economy thinking. If these critics are honest and fair, instead of resorting to cliché and leveling charges against certain individuals should explicitly state which government policy has so far represented the implementation of free market. And with what mechanism has this policy created this chaos and turbulence?

The mere presence in the govern- ment of a few prominent personalities advocating free economy or the elec- tion campaign slogans of the President which were not realized should not en- courage some people to beguile people through rowdism and confusion and attribute the appalling outcome of the comrades’ leftist policies at the MPO and other government institutions to implementation of free economy recom- mendations. These behaviors can only be a sign of non-compliance with ethics and prioritizing factional interests over the realities and public interests.

National Currency Value
A Lesson Not Learned!

D. Alinaghi Mashayekhi says: Iran has been suffering from a blunder committed by its poli- ticians about “the value of the national currency” for more than four decades. The “value of the national currency”, which is the result of economic factors, is considered to be an honor in terms of the performance of the political system of the country and is treated as cause; the reason is poor economic management! In order to maintain the value of the na- tional currency, the authorities instead of focusing attention on the causes of its depreciation focus on the effect, which is the value of the national currency it- self and thus cause a further decrease in the value of the national currency and further weakening of the economy. The roots and causes of the devaluation of the national currency come from grow- ing liquidity against the growth of na- tional production. When liquidity grows faster than production, the money in the hands of the people grow faster than the amount of goods and services that are supplied in the economy. As a result, there is more money available for exist- ing goods and services. In fact, there is more money for purchase of a specific goods, which have grown with less infla- tion, have not risen as much as domestic goods; as a result the purchase of foreign goods is cost-effective, and the foreign commodities enter the country formally or are smuggled and outs domestically made goods from the market.

The uproar over the closure of pro- duction units, unemployment of Iranian workers and increased smuggling go up. National production is harmed and re- duce the value of national currency.

Why? Due to the fixing of the exchange rate, the “cause of devaluation of the national currency” is strengthened, and more foreign exchange should be injected in order to maintain the value of the national currency. Imports – au- thorized or smuggled – increase and this further harms domestic production; As a result, economic activists come to the conclusion that production is problematic and detrimental and therefore not wise; so it would be better to go after import of goods and distribute them.

The second destructive effect is on exports. Due to domestic inflation and the fixing of the exchange rate, the price of domestic goods abroad goes up and demand for Iranian goods and ser- vices in foreign markets goes down. As a result, domestic production cannot be exported and it gets weak and foreign exchange earnings from export of prod- ucts decline. With the weakening of production the “cause of devaluation of the national currency” is boosted. More foreign exchange should be injected into the exchange market.

However, with lower exports and less foreign exchange earnings, there will be less foreign currency to supply to the forex market; and the supply of more foreign currency eventually stops. In addition, when production becomes weak then less taxes are collected and the budget deficit increases. This in turn would increase liquidity and thus another cause of devaluation of national currency which is the growth of liquidity is strengthened. Therefore, in order to preserve the value of the national currency, the statesmen will strengthen the deprecation of the currency without paying attention to its causes, and merely through the injection of foreign currency into the foreign ex- change market.

But since forex reserves are limited and foreign exchange inflows into the market cause weakening of domestic production, “the cause of devaluation of the national currency” is strengthened, and more foreign exchange should be injected in order to maintain the value of the national currency.

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National Currency Value
Four decades of mistakes and repetition of currency crises and observation of the events of last two months must have been enough for the statesmen.

This experience has been repeated four or five times since the 1979 Islam- ic Revolution and strangely enough our politicians have not yet learned from it. As a result, over the past four decades production has always been weak, and instead imports, smuggling and rent- seeking from foreign exchange have been rampant. As a result of these experiences, we often hear from the economic activists that production in Iran is problematic and not cost-effective. Funds are spent more on leaving the country by using cheap currency, imports, speculation, land and construction.

The volume of capital spent on con- struction of expensive residential units, villas and commercial centers, which are mostly unused, is estimated at up to $250 billion. With the sound management of the foreign exchange market, these funds should have gone towards production and boosted production, employment and ex- ports.

Four decades of mistakes and repeti- tion of currency crises and observation of the events of last two months must have been enough for the statesmen. They must have learned that when liquidity grows more than production and domestic po- tential inflation is higher than the global average, they should take the following appropriate approach:

1. As it has been recommended in the development plans, the authorities must allow the foreign exchange rate to be gradually increased in proportion to the difference in potential inflation, which is calculated on the basis of liquid- ity in order not to lose domestic produc- tion against imports and Iranian goods and services in other countries would not lose their competitiveness in terms of price. To sum it up, action must be taken so that national production, which is the infrastructure of the country's economic power, would not be harmed.

2. With the intensification of finan- cial discipline in the government, budget deficit and rising liquidity beyond na- tional growth would be avoided. Sound monetary policies too would prevent more money to be generated by the bank- ing system.

3. With the improvement of the busi- ness environment by strengthening the competitive environment inside, deregul- lation and facilitation and acceleration of economic activities, there would be more transparency in government transactions, and a fierce campaign against corruption would allow faster growth of production.

4. Only in emergencies and states of war, part of the proceeds from oil and ma- jor commodities derived from oil and gas be allocated to the supply of basic goods. Otherwise, the pricing of basic goods and how to help income groups to buy those goods is a separate issue. This should be done in a way to ensure the safety of those goods to low-income groups and at the same time not let any harm to production of basic goods in the country.
The frequent changes in government laws and regulations, especially in the area of foreign trade, have outraged many economic activists. Particularly, the fact that the scope of these prohibitions and the restrictions on the allocation of foreign currency and the ban on import of goods has also been extended to Commercial International Import/Export Licenses and a certain limit has been set for those who have recently acquired their Commercial License. Now this group is obliged to import only $500,000 in the second year and should comply with the new rules and regulations that the first vice president has just announced.

Assadollah Asgaroladi, a veteran figure in the field of foreign trade speaks about the foreign trade restrictions these days and believes that double corruption is hidden behind the government related collusions. He maintains that “corruption must be stopped from occurring by pre-detaining which would be useless, they have disrupted the order of an economy.”

There have been some changes in Iran’s foreign trade. How logical are these changes in the current situation?

The current state of foreign exchange generated by the government is not at all appealing in foreign trade, and since the beginning of this policy, which is known as the foreign exchange rate unification, a big mistake has been made and that is the announcement of 42,000-rial-dollar was supposed to be available only to those who import essential goods and primary materials such as wheat, barley, rice, corn, livestock food, medicine, industrial machinery and oil. The forex was not supposed to be allocated for import of cell phones and automobiles!

The government’s mistake was placing orders for these goods and allowing the import of auto spare parts, various types of cars and mobile phones at official forex rate. The official rate was even allocated to grains and consumer goods, including bean and lentil which lead to some people’s corruption. They received foreign currency from the government at official rate (42,000 rials per dollar) and imported goods while setting the rate of their commodities in the market at 6,0000-7,0000 rials per dollar; some of them even did not import goods and instead sold the currency at higher prices at the open markets.

Why does not the government deal with the sources of rent seeking and corruption?

The causes of corruption are inside the government itself, not at the high-level ministers of course, but at low-level agents who issue licenses. By issuing directives and regulations of this sort, the government also creates a golden signature that may lead to corruption. Corruption is caused by those who issue permits. Issuing a license for importing a specific product which is prohibited is not an easy process. This banned license is made available to certain people; it must be made clear who has issued this license and on what basis it has been given to a certain importer, in the meantime it must be clarified on what basis the customs has cleared the goods! The license holders are corrupt; they would not do anything for free but they would do it for their agents. The government itself may be clean, but its agents may engage in wrongdoing.

What is the purpose of issuing numerous directives and regulations?

The issuance of these directives and regulations in the Iranian economy is unnecessary. There are import/export laws and regulations that are approved by the Parliament at the beginning of the year, and communicated by the government. These laws and regulations should not be changed and must be implemented till the end of the year. Changes in these regulations would definitely lead to corruption. If a license is issued, it should be given to all applicants.

We say the government is the servant of the people. But the government has shown it is the guardian of the people.

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Trade with Neighbors: Evading US Sanctions!

Iran has sea and land borders with 15 countries. This number of neighbors has become a positive leverage for Iran to counter the US sanctions. According to official statistics, Iran’s total trade with those countries exceeds $36 billion. The figure on the one hand reflects the potentials of trade with its neighbors, and on the other hand shows the correct targets of the government in this field.

For the first time, Es‘haq Jahangiri, the First Vice President unveiled the government’s new plan to bypass the sanctions. Referring to US sanctions against Iran, he said in the new situation, border countries and border cities can turn into corridors of Iranian business with the world. He urged the authorities in the border provinces to become more active in this field.

"We hope that the people of the border areas will use their capacities and strengthen the existing trade routes," he emphasized.

UAE: In Favor of the Sanctions or Worried about the Future?

The alternative route for Iran to replace the UAE is to expand its business cooperation with Turkey, because Tehran-Ankara agreement on trade with the national currencies of the two countries can be a platform to save trade between the two neighbors from the sanctions. Declining differences between the two neighboring countries, especially in the area of regional disputes, will be a win-win game for both Iran and Turkey, but the dependence of bilateral trade on the land borders and some outstanding differences on preferential tariffs continue to prevent the volume of the two countries’ trade from reaching the projected 30 billion dollars.

Customers in Danger

Obviously Iraq and Afghanistan are the two main customers of Iran’s export goods and services these years, one in east of Iran and the other in the west. The structure of the Iraqi market, however, is different and full of challenges; the economy and the lack of infrastructure for transport and banking are a challenge, and the absence of serious rivals in the Afghan market is an opportunity. The presence of the Caspian littoral states, but the signals on trade with the Persian Gulf states do not agree much with the policy of expanding trade with Iran. Although Iran’s foreign policy is to improve relations with its neighbors, disputes over the regional issues with the Persian Gulf states and its southern neighbors, including Saudi Arabia, Bahrain and even the UAE, can make trade routes bumpy.

Meanwhile, the banking and currency transfer channels, especially after Tehran-Ankara agreement on trade with the national currencies of the two countries, can be a platform to save trade between the two neighbors from the sanctions. Declining differences between the two neighboring countries, especially in the area of regional disputes, will be a win-win game for both Iran and Turkey, but the dependence of bilateral trade on the land borders and some outstanding differences on preferential tariffs continue to prevent the volume of the two countries’ trade from reaching the projected 30 billion dollars.

Positive Signals from the North, Negative Signals from the South

Positive pulses indicate positive signals in favor of more trade with the Caspian littoral states, but the signals on trade with the Persian Gulf states do not agree much with the policy of expanding trade with Iran. Although Iran’s foreign policy is to improve relations with its neighbors, disputes over the regional issues with the Persian Gulf states and its southern neighbors, including Saudi Arabia, Bahrain and even the UAE, can make trade routes bumpy. Although the markets of countries like Qatar and Oman are still more attractive it seems that in northern Iran, the focus is on developing trade with Russia. This is while trade routes are not smooth, and trade facilitation with the northern neighbors, depending on bilateral and multilateral relations with the Caspian Sea and other northern neighbors, can help resolve the problems.
Dr. Alireza Akbari, peacemaking and peacekeeping student at the UN International Peace Academy and deputy defense minister during the reform era, has examined the mutual importance of Europe and Iran for each other and the fate of the Joint Comprehensive Plan of Action after US withdrawal. Akbari believes that the importance of the JCPOA for the EU is essentially “security wise and strategic”, and that the economic factor can be the last and the lowest factor for Europe. Many believe that Europe wants the JCPOA survive due to economic reasons. But on the contrary, many others believe that the JCPOA has strategic and security benefits for Europe. What’s your opinion?

I believe strongly and firmly, and will prove my claim that the importance of JCPOA for the EU is essentially security related and strategic. The factor of economy can be the last and the weakest for Europe. As I explained about the status of the EU earlier, Europe is passing through a momentous situation. Economic issues are very important for the union, but this is not the whole truth! Yes, the European Union has a GDP of about 16 to 17 thousand billion dollars, has less than one third of the total volume of global trade, exports about $2 trillion and imports nearly $1.7 trillion, 20% of its total exports go to the United States and about 20% of its total imports are from China. Therefore, it is just natural for the economy to be important for it.

The same Europe’s total volume of trade with the Islamic Republic of Iran is $25 billion tops. However, the volume of its trade with the United States is more than $700 billion, with a positive European balance of over $160-170 billion. The joint economic volume between the US and Europe is more than $3,200 billion. That means the US has made an investment of over $2,600 billion in Europe. The statistics tell any observer that “the issue of the JCPOA and Iran, for Europe, cannot be economically motivated.” What matters more to the European Union is the issue of “stability and persistence”: In other words, passing through geopolitical challenges; the challenge or the crisis of floods of migrants, which has become a security issue, the issue of extreme right and the question of secession.

Meanwhile, three high-security streams have added to the sensitivity of the strategic status of the EU. One, the inter-Atlantic divide caused by unilateralism and the aggressive foreign policy of the USA; secondly, the gradual expansionist tendencies of Russia both in the Eurasian region and the Middle East; and third, the question of possibility of widespread wars in the Middle East, which greatly highlights Iran’s role for the EU in the context of international security. The current trend in European-American relations, after Trump came into power, is highly volatile and unsustainable, based on a revision of previous covenants and interests. Trump not only breached social and environmental structures in relation with Europe but has also begun a trade war and heavy duty tariffs.

More importantly, the United States by pushing the European members of the NATO to increase their defense budget and membership share, has threatened to quit this important military-security alliance. This is an important indication that an inter-Atlantic gap in the security and defense spheres is likely to quickly spread. All of this evidence suggests that Europe is scared of a set of security incidents and developments. These security challenges are mainly due to the gap between the powers of the Middle East, including Iran, increases and the conflict between Iran and the United States turns to hostility, Europe will see itself among a host of harms and security threats. That is why keeping the JCPOA alive is one of Europe’s priorities in order to prevent a more sensitive Middle East security environment. Europe also recognizes Iran’s effective role in preventing the spread of terrorism, even if it does not acknowledge this role. It is also Europe’s perception of Iran’s great part in maintaining strategic balance and stability of the security balance in the Middle East and the Persian Gulf: All of these reasons are enough to prove that the importance of maintaining the JCPOA for Europe is security related and not economic.

What do you think is the best strategy for Iran in dealing with Europe, particularly at a time that the United States has come out of JCPOA?

I think Iran and Europe, for many reasons, have a wide range of complementary and similar interests. And goals of both parties determines the status of their relations. I think Iran and Europe, for many reasons, have a wide range of complementary and similar interests. Therefore, they must have broad and solid relationships. I also believe that it is not Iran’s relations and strategies that should be affected by the JCPOA, but the JCPOA and issues of this nature should be subject to and influenced by our strategy vis-a-vis the European Union. The JCPOA with all its importance and weight is a “situation” issue. Although its genus is “dis-armament,” and disarmament issues particularly if they are of nuclear type are considered strategic but even in the strategic sphere, there are two categories of “structural” or “situational” issues. The strategy of relations between the Islamic Republic of Iran and the European Union, in terms of the weight and importance of geopolitical, strategic and geo-economical dimensions, falls in the category of strategic structural is issues. While the issue of the JCPOA at most, is a “situational strategy” issue. In this regard, the principle of the strategy of relations between Iran and Europe overcomes the issue of “JCPOA and the EU”.

The main pillar is the strategy of relations, and the issue of the JCPOA must be subject to the strategy. But the question is what should be the basic principles of the Islamic Republic of

Bonds that Connect Iran and Europe

I think Iran and Europe, for many reasons, have a wide range of complementary and similar interests.
Iran’s strategy in relations with Europe?

In my opinion, the foundation of the strategy of relations between Iran and Europe should be based on the following three main pillars:

First, maximum amount of mutual understanding and empathy.
Second, development of all-out interaction,
Third, exchange of complementary capacities.

Now that the United States has entered extremist unilateralism and has practically started a trade with China and Europe, what opportunities does Iran have to neutralize or at least minimize the US threats?

Looking at the volume of exchanges and mutual investment between China and the US, as well as the US and Europe, tells us that these three top economic powers are the largest trading partners of each other. We mentioned the figures on the European-American exchange at the beginning of our conversation. But, the volume of China-US exchanges is about $580 billion, and China’s positive balance is about $380 billion! Since the Trump presidency and the unilateral US approach, traditional tariff agreements have been subject to change. Despite all the efforts that the EU and China have had to negotiate with the US to stop a war on tariffs, Trump is determined to create a balance. An increase in tariffs on European and Chinese export goods to the US (excluding steel and aluminum) is the first American solution.

As a first step, Trump came out of the most important unions and commercial treaties of the Atlantic and Pacific jurisdictions. At the same time, Washington has already begun its tariff threats against China, Europe and even Canada. Yes, the US trading divide in the Atlantic and Pacific region is intensifying and is likely to become more intense. It is stressed that this confrontation is not a field for direct action of Iran, because the economic weight and requirements of the Islamic Republic of Iran would not allow such an impact, but it is a good opportunity for the interests of Iran to be aligned with the interests of China, Russia and the EU in the same direction.

The nature of the United States’ unilateral sanctions against the course of the JCPOA is precisely a problem that other global powers, including Russia, China, the European Union, India, and others regard as contrary to their own interests. The Chinese Foreign Ministry recently declared a decisive position that it will not accept any unilateral sanctions against Iran because it is against international norms. This is exactly what Europe is afraid of: “The generalization and spread of the US internal norms to the international environment.” Of course, wherever the issue of interest is raised, there is the possibility of reconciliation. The volume of trade between the three major powers of the world (America, the European Union, and China) is so high that there is a possibility of an agreement and a compromise on a larger advantage whenever possible.

What are Iran’s scenarios if talks with Europe fail and Tehran quits the JCPOA?

The scenario or “alternative plan” must, in principle, serve the goals and interests and, of course, be within the framework of the goals. The goal of the Islamic Republic of Iran is to engage legally with the world and maintain its international relations based on recognized rights of the countries. The US is precisely pursuing the denial of these demands and the natural rights of Iran through withdrawal from the JCPOA and the revival of the sanctions.

It is important for Iran to continue to live up to the benefits of the JCPOA, especially the inclusive economic-political interaction with the world. Basically, Europe, China and Russia are unhappy with the unilateralism and aggressive approach of the United States, both in the political arena and the economic sphere. These three powers and even other great powers, such as India, are worried about the US aggressive and threatening approach, but the scope of the conflict of interest or the constraints of this lobby against Washington imposes a kind of cautious conservatism on them.

On the other hand, the Islamic Republic of Iran has its own choices. If the $+1 does not take the necessary steps to keep up the JCPOA, then Iran will be able to design alternative scenarios in two positive and negative ways. If Iran were to be deprived of the benefits of the JCPOA, Tehran’s first choice would be to return to the “zero point of the JCPOA.” If the crippling sanctions resume and the three poles of power (Europe, Russia and China) do not use their authority to open the breathing space for Iran in the framework of their common interests, then there would remain no reason why Iran not to resume development of its nuclear technology. With the onset of the accelerated and widespread development of nuclear capability, political and strategic equilibrium will naturally evolve. In this case, the path of regional and international developments will continue to hit the crisis. Such conditions are not desirable even for the Islamic Republic of Iran, but the choices are limited. By using the leverage of the security balance in the region and increasing its strategic influence on the path to nuclear capability as well as the impact on the geo-economy of the region, Iran can hinder a favorable US economic security balance. This means increasing bargaining power.
President Hassan Rouhani visited Vienna on the second leg of his first European journey as the head of the 12th government. The journey also took him to Switzerland (early July).

Rouhani, in his first meeting with the head of the Swiss Confederation was promised that Bern would expand cooperation with Iran and ignore the US sanctions. In his meetings in Vienna with Austrian President Alexander Van der Bellen, and Chancellor Sebastian Kurz, the Iranian President once again received assurances that Vienna would not only refuse to reduce the level of political and trade exchanges with Tehran because of the unilateral US sanctions, but would also boost bilateral ties.

President Van der Bellen told Rouhani that Austria was determined to maintain and develop its relations with Iran in all areas. The Austrian president whose country now holds the rotating EU presidency, added: “Washington’s secondary and transatlantic sanctions are contrary to the international law and are violation of human rights, and therefore the Austrian companies are opposed to it.”

Rouhani, who was greeted at the airport by the Austrian foreign minister, received an official welcome ceremony at Hofburg Palace by his Austrian counterpart. The Iranian delegation also signed four new cooperation agreements with Austria in the presence of Rouhani and Kurz. These agreements covered transport, water resources management, renewable energy and mine cooperation.

Meanwhile, the Austrian president noted the long-standing relationship between the two countries and said: “Austria and Iran celebrate 160 years of political relations, but relations between the two countries date back to at least 500 years ago. This year, we celebrate the 60th anniversary of the establishment of the Austrian Cultural Association in Tehran and the 25th year of interfaith dialogue. I want to emphasize that our long-standing relationship is beyond the scope of economic and political cooperation.”

He added: “I would like to stress that there are many Iranians living in Austria, some with full Iranian nationality and some others having Austrian citizenship. I think it is very familiar to you, that about 2,000 doctors in the Austrian health system are working who have Iranian background.”

He further said: “Now, there are hundreds of Austrian companies operating in Iran, and Austria and the European Union are doing their best at this difficult time to create the necessary framework not only for establishing and sustaining of this cooperation, but to further deepen it.”

Noting that the JCPOA has never been based on the assumption that it would solve all the problems, the Austrian president said in the opinion of Vienna the Iran Nuclear Deal has only opened a window to address other issues. He further stated that he had held extensive talks on a wide range of bilateral and regional issues with his Iranian counterpart.

Van Der Bellen also regretted that the US had pulled out of the JCPOA deal. He also voiced regret that Washington was planning to impose new sanctions against Iran which would also affect Austria. “We at the EU Commission consider these secondary sanctions to be transatlantic and a violation of human rights.”

The Austrian government is one of the oldest friends of Iran in Europe. Tehran-Vienna diplomatic ties date back to 160 years ago. These relations have never been based on imperialist greed but founded on mutual interests of the two countries. Austria had close relationship with Tehran both before and after the 1979 Islamic Revolution. The first visit by a European foreign minister to Tehran after the Revolution was from Austria (Erwin Lanz) and the first visit of an Iranian foreign minister to Europe was to Vienna in 1987 (Ali Akbar Velayati).

Austria later played an important role in Iran’s nuclear talks as the host country and during the international sanctions against Iran, it was one of the few European countries that continued trade and economic relations with Tehran. At the same time, it hosts nearly 30,000 Iranian students, and as the Austrian president said at the joint news conference with Rouhani, nearly 2,000 health care physicians in that country are Iranian nationals.

The then Austrian president Heinz Fischer traveled to Tehran immediately after the Vienna Declaration and before the execution of JCPOA and invited his Iranian counterpart to visit his country. Although Rouhani’s visit to Austria did not happen when Fischer was the president but after the change of government in Vienna and the coming to power of a more conservative government, Austria still welcomed continuation of relations with Tehran, until early July this year, the Austrian President and Chancellor greeted Rouhani in Vienna.

During Rouhani’s visit, Austrian statements reaffirmed that they will not pay attention to unilateral US sanctions on Iran and will work to develop bilateral relations with Tehran.
Sanctions on Iranian Oil Customers

China is the largest buyer of Iranian oil, accounting for more than 40 percent of Iran’s oil exports. However, Iran’s oil covers less than 10 percent of oil imports by the world’s largest oil importer. Energy consultancy Facts Global Energy (FGE) believes that China is unlikely to completely halt buying Iranian oil, although the possibility of reducing import of 700,000 barrels of oil a day from Iran in the first six months of 2018, has said it is committed to economic relations with Tehran. It continues to rely on Iraq as the main oil supplier. Iran is the second largest oil exporter to India, but New Delhi has cut its oil import from Iran by one quarter in the past year. Only in May, India’s oil purchase from Iran dropped by 16 percent. At the same time, the US has increased its oil exports to India to make things easier for New Delhi. The increase registered a record in June and was doubled in the past year.

Iran’s third largest purchaser of oil in the first half of 2018 was South Korea. The Asian country buys about 220,000 barrels of oil per day from Iran, which has a long way to go to reach India and China, but the figure is still significant. However, after a drop of 179,000 barrels in May, which was the lowest purchase from Iran since January 2016, it stopped purchases in July. In the meantime, South Korea has quadrupled its oil imports from other Asian countries at this juncture of 2018, indicating that Seoul too has plans like New Delhi.

The next buyer of Iran oil is Italy. Although Italy is not a signatory of the Joint Comprehensive Plan of Action but like other European states it is an advocate of the JCPOA. The “boot” of Europe, which imported about 180,000 barrels of oil a day from Iran in the first six months of 2018, has said it is committed to economic relations with Tehran. It is unlikely for Italy to close its relations with Iran as long as the European signatories of JCPOA support Iran’s oil exports, however, in the month of July Rome did not make any purchases from Iran. The fifth largest buyer of Iranian oil during the above-mentioned period was the neighboring country, Turkey. Turkey’s purchase is several thousand barrels per day. The problem here is that Turkey needs oil for its electricity generation and its refineries which import Iranian crude.

Saudi Arabia and its allies fail to sustainably increase their production in order to capture Iran’s market share, and in the face of the resistance of countries such as China or other arrangements made by Iran, it was not possible to completely cut off Iran’s oil exports, it would not be difficult to inflict another blow on the Iranian economy. If we take into account the positions taken by the said countries and their share of oil imports and exports it seems that diplomacy would help more the Iranian economy that has just come out of the sanctions. The alarm coming out of statistics and statements must be taken seriously.

Another important customer of Iran is Japan, which in the first six months of 2018 as the sixth buyer of Iranian oil, imported nearly 150,000 barrels daily. Japan announced last week that it was seeking to be exempted from Washington’s sanctions on Iran. One of Japan’s top officials has said this is about energy security and the need for refineries. Japan, the world’s third largest economy, has the power to encounter or get concessions from Washington, but firstly, the US exercises great influence on Tokyo, and secondly, everything depends on future developments. The seventh, eighth and ninth purchasers of Iranian oil are Spain, France and Greece, respectively. The first two counties buy about 100,000 barrels and the last one purchases about 70,000 barrels per day. Iran has other customers which together buy about 210,000 barrels per day. The problem here is that even if all these countries refuse to give up to Trump’s unfair demand and those who give in maintain part of their purchases, there would still emerge serious troubles for the Iranian economy. If Saudi Arabia and its allies fail to sustainably increase their production in order to capture Iran’s market share, and in the face of the resistance of countries such as China or other arrangements made by Iran, it was not possible to completely cut off Iran’s oil exports, it would not be difficult to inflict another blow on the Iranian economy. If we take into account the positions taken by the said countries and their share of oil imports and exports it seems that diplomacy would help more the Iranian economy that has just come out of the sanctions. The alarm coming out of statistics and statements must be taken seriously.

In the first 6 months of 2018, India has imported about 550,000 barrels of oil from Iran on an average daily basis.
Ali Akbar Velayati, the special envoy of the Islamic Republic of Iran, visited Russia (July) in line with continued consultations to find practical responses to the anti-Iranian efforts of the United States. Consultations that seek to safeguard the Joint Comprehensive Plan of Action and serve Iran’s economic interests in the context of the JCPOA. Velayati, who headed a delegation to Moscow, carried important messages from the Supreme Leader and President Hassan Rouhani to the Russian president. In addition to Iran’s Nuclear Deal (JCPOA), Velayati exchanged views with President Vladimir Putin on bilateral political and economic relations, as well as the latest regional developments.

Concurrent with Velayati’s Moscow visit US officials, including President Donald Trump, and Secretary of State for Foreign Affairs Mike Pompeo, met with officials from around the world in compliance with their efforts to increase pressure on Iran. Trump attended a NATO Summit and succeeded in inserting his repeated claim about Iran’s missile program in the final statement of the regional European alliance. Meanwhile, Pompeo launched a tour of the Middle East and tried to coordinate the Persian Gulf states in their anti-Iran quest.

Under such circumstances, and while underlining expansion of relations with Russia Velayati met with Putin who said Moscow was ready to make a $50 billion investment in Iran’s oil & gas industries.

Russia to Replace Western Companies on Oil Cooperation: Velayati who serves as the international advisor of Ayatollah Khamenei, submitted the messages of IRI Leader and President to Putin in a meeting he described as “constructive and sincere”. He also pointed to important bilateral understandings on the strengthening of relations. Speaking in an interview later, Velayati announced the readiness of the Russian president to increase the investment ceiling in Iran’s oil and gas industry to $50 billion. In the oil field, he said, one of the major oil companies of Russia has signed a contract with the IRI Oil Ministry for $4 billion, which will soon be executed.

The announcement of Moscow’s readiness to invest $50 billion was made by Velayati while Kremlin spokesman Dmitry Peskov said he could neither confirm the report nor was ready to provide further details.

Mr. Putin voiced readiness to invest in other parts of our country’s railways and emphasized on the North-South Corridor, St. Petersburg-Chabahar project.

Cooperation for Railway Development: Velayati said cooperation on development of the railway was among other topics he had discussed with Putin. “Another topic Mr. Putin placed emphasis on and was pleased with was cooperation on development of Iran’s railways. Over the past 10 days, preparations were made for the construction of the Inche Borun-Garmsar railway in Sari (northern Iran).” He added: “Mr. Putin also voiced his readiness to invest in other parts of our country’s railways and emphasized on the North-South Corridor, St. Petersburg-Chabahar project. That is, the said line can transfer goods from South and Southeast Asia via Iran and save 40% in costs and 40% in time.”

Oil & Gas

Russia’s $50 Billion Investment in Iran’s Oil & Gas Industry

Oil & Gas

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Europe's outlook on Iran can be viewed from two perspectives. From a political point of view, stability and no-war status are the most important indicators for Europe. The second outlook is economic, whose main goals include oil imports from Iran and export of European artifacts and having a big share of the Iranian market. The Iranian market is neither the most important market in the world nor the largest market in the region but has its own attractions. If Arab countries are after the purchase of European armaments, Iran is seeking civilian artifacts, especially European cars, and Europe's help with the oil industry, road construction and electricity. The market in Iran is so vast that can bring some of the big and small European companies out of their bottleneck.

From the Iranian perspective, European countries are divided into two political-military and other economic categories. UK, France and Germany, to some extent, fall under the political-military category; because these countries take political considerations into account in their dealings. France has a relatively independent position, but Germany and the UK have pro-US inclinations. Europeans thought that Iran would completely come under the influence of Washington and, as a result, did not insist on the success of the nuclear talks, but after they realized that opposition to the United States was part of the Islamic Republic's identity, they felt they were in the best position to use the opportunity.

As a result, they are trying not to let the US resume its old outlook on Iran and become a barrier in the way of relations between Europe and Iran. France showed great enthusiasm to evaluate the Iranian market, but Germans were not so eager as though they were aware of the American stance towards the JCPOA. But the economic considerations of Germany, Italy and Spain are much simpler and more transparent than other countries. Iran is also more interested in small countries such as Belgium and Scandinavian states, because it finds their lack of political interventions more confident.

France has a relatively independent position, but Germany and the UK have pro-US inclinations. Europe, which has already tasted the bitterness of American bullying, is aware of the US imposition on Iran, but it has no other way but to respect the hierarchy of power. Before the JCPOA, the Americans thought that Iran would completely come under the influence of Washington and, as a result, did not insist on the success of the nuclear talks, but after they realized that opposition to the United States was part of the Islamic Republic's identity, they felt they were in the best position to use the opportunity.

As a result, they are trying not to let the US resume its old outlook on Iran and become a barrier in the way of relations between Europe and Iran. But the interconnection between American and European companies is so strong that Europe would undoubtedly side with the US if it had to choose between Tehran and Washington. That's why it would be much better if Europe did not have to make a choice in this respect!
Exporters and importers are facing a difficult situation nowadays. The heavy shadow of politics is all over the economic decisions and, consequently, the heavier shadow of some economic decisions is gradually bending the back of foreign trade. The government has considered export and import restrictions and prohibitions that challenge exporters and importers. Mehdi Ghazanfari, the inventor of the ‘commodity classification’ during the sanctions and the founder of the foreign exchange center, speaks about the current situation of the foreign exchange market and the new restrictions on foreign trade. The former minister of industry, mine and trade says that trade bans have not been appropriate neither when he was minister nor under current conditions.

The government is adding more restrictions on foreign trade every day. Imports of 1,400 items have also been banned. Basically, what is the logic behind these wide limits?

Imposing restrictions in the long run is by no means a good thing. I also did not believe that we could manage production and trade with the continuation of such restrictions; rather, we designed them in order to exit the crisis, which worked well in its place. But as for the incumbent government, it seems that, firstly, the government has not taken the issue of the currency crisis seriously and is very slow and incoherent; secondly, the work of government agencies in the current situation is not precise and thoughtful. Apparently, they have only decided to do some part of the work related to the previous boycott. Most importantly, no organization in the current situation is the owner of the whole process, something we did in the ministry.

Businessmen under the Heavy Shadow of Restrictions

Of course, at that time too, criticisms were made against the Ministry of Industry, Mine and Trade about the import ban. Isn’t the 12th government’s applying the same policies?

I agree with economic activists that this is not a good idea either in exports or in imports. The best way is management which is beyond restrictions and is more of rule-making; that is to design slopes so that when the private sector activist steps on it he could start moving. We must, in all conditions, support rational economic freedom. The economic activist is absolutely right to believe that there should be no restrictions and prohibitions. We too, despite our will, had to impose import and export prohibitions. Imposing restrictions cannot be defended under normal circumstances whether by us or by others. In the meantime, we should not forget that the government is responsible for all the society, and must take decisions that would not jeopardize the future of the country and the people. A safe passage by the people through these challenges is the primary responsibility of governments.

Can foreign exchange restrictions help the Iranian economy improve or could undermine it?

I believe that incomplete implementation of a plan can undermine it. At that time, we launched a “complete package of economic decisions,” which I just mentioned the part dealing with Industry, Mine and Trade Ministry. But today things have changed and no one maintains that perspective. It seems that some in the government want to stand aside and wait for the problems to be solved automatically; but this is not possible, all the tools in this toolbox should be used.

We at the ministry dealt with issues such as importer, manufacturer, import registration, currency allocation, customs tariffs, clearance, pricing, distribution and sales, exporter, currency transfer and exporter’s currency pricing, creation of a center for currency exchange between exporter and importer, prioritization, capital in circulation, inspection and supervision over the market, supply of goods, all-out cooperation with the Ministry of Oil and the Central Bank, interaction with the media, and information dissemination to the other powers, and we did this with all power. That is, for all the players on the scene, we had a special program to use everyone’s potential and minimize uncertainties. However, if the government wants to solve the problems, it must know that it is still at the beginning of a difficult road. It should not lose hope or become passive. It should not let people think what the opponents claim come true, that is “old and exhausted generals would surrender before the people do.”

The government may think that the ban on imports is aimed at supporting domestic production; can import restrictions boost domestic production?

Perhaps we all favor lack of import of foreign goods, but we know well that if this happens constantly, it would create...
The government should pay more attention to the elites, change their voice of the stakeholders, and think about their pain. Naturally, if the government turns a deaf ear to these voices, it would gradually diverge and double the problems complications of the country. As far as I know, the people, economic activists, and the media are tired of the government indifference, and they may be resort to national incitement. The time is up for attributing all the problems to the previous governments and voicing ridiculous optimism which the speaker himself does not believe in. Economics decisions, of course, have short and long term positive and negative impacts. This is a precise question and its bad effects can be quite horrible. However, we are at the beginning of a huge challenge. Apparently Foreign Minister Mohammad Javad Zarif and his colleagues are trying to keep Europe in the Joint Comprehensive Plan of Action or may hold some negotiations with the United States, I do not know. But there are different scenarios before Iran’s economy. The first scenario is to keep Europe committed to JCPOA and not let the deal collapse. Here we need a strategy and planning in the field of economy and foreign currency, but we observe no plans in this respect.

The second scenario is that Iran and Europe come out of JCPOA and there will be new sanctions from the US alongside quarterly, biannually and secondary sanctions. In that case, special conditions will prevail over the country, which are manageable, but with the government procrastinations in making decisions and taking actions, people would be harmed. Again, we do not see any plan by the government for this scenario.

The government should pay more attention to the elites, change its procedures and hear the words of the elites. The conditions we are embracing are very difficult. Now it is not the time to settle accounts by political factions; instead these groups must all get united and be coherent. Now a big enemy has been shaped that wants to interfere in all affairs of the Iranian nation, and the government is clearly unable to manage this situation.

Some exporters say they have stopped exports because of government procrastinations in making decisions and taking actions, people would be harmed. Again, we do not see any plan by the government for this scenario.

The government should pay more attention to the elites, change its procedures and hear the words of the elites. The conditions we are embracing are very difficult. Now it is not the time to settle accounts by political factions; instead these groups must all get united and be coherent. Now a big enemy has been shaped that wants to interfere in all affairs of the Iranian nation, and the government is clearly unable to manage this situation.
Iran’s Supreme Leader Ayatollah Ali Khamenei commended the Iranian athletes who won medals at the 2018 Asian Games for bringing joy to the country.

In a message (Sept. 2), Ayatollah Khamenei praised the Iranian athletes for their performance in the 2018 Asian Games, held in Indonesia’s Jakarta and Palembang from August 18 to September 2.

“You delighted the Iranian nation and brought glory to our honorable flag,” read the message.

In a similar message issued (Sept. 1), President Hassan Rouhani expressed his gratitude to all Iranian sports people who took part in the 2018 Asian Games in Indonesia.

Rouhani congratulated the Iranian athletes and teams on “obtaining the best achievements and the most number of medals” for Iran in the Asian tournament.

Meantime, Majlis Speaker Ali Larijani in a message congratulated the nation, sports people and coaches on the success of the Iranian athletes in 2018 Asian Games.

He said international competitions provide an opportunity for forging amity among nations and promoting spirit of friendship.

Asian Games brought together athletes from different countries irrespective of their race, language or color to portray manifestations of interaction, solidarity and struggles to achieve victory through healthy competitions, he stressed.

Iranian sports people including men and women endeavored during the games and produced bright results befitting the Iranian nation, particularly in kabaddi, volleyball, basketball, water polo and wrestling, Larijani said.

He also hailed the Iranian sportswomen’s capabilities, saying that they won medals in certain sporting events for the first time in the history of the country’s sports and this indicates their power and strength in the international sports events.

The total number of medals won by the Iranian athletes was unprecedented and they managed to bring a valuable gift for the nation, Larijani said.
Collecting a total of 62 (20 gold, 20 silver and 22 bronze) medals, Iran finished the Asian tournament in sixth place in the medals table, after China, Japan, South Korea, Indonesia and Uzbekistan.

Iran’s team at the Asian Games collected most medals in wrestling to claim its continental dominance in the sport. Iran also gained historical medals in wushu, taekwondo and kabaddi, in which the national athletes had not won a medal during the previous editions.

In a historical move Iranian women kabaddi players beat all time powerhouse India 27-24 in the finals to claim the title for the first time. The loss for Indians was the first in history.

To get into the final showdown the Iranian women overpowered renowned kabaddi teams from Bangladesh and Pakistan in the earlier stages.
Iran men’s kabaddi team also made history when it beat seven-time Asian Games winner India 27-18 in the semi to enter the finals against South Korea.

Doubling the joy for Iranians, men’s kabaddi team stunned South Korea 26-16 to win the Asian Games title for the first time and bring India down from its all-time dominance in the sport.

World’s fastest vertical man, climber Reza Alipour added the Asian Games gold to his world championship title in Jakarta, passing the Chinese Qizin Zhong in the final heat.

Iran has competed at the Asian Games six times since the first event in 1951 New Delhi, and the best achievement was in 1974, when the country hosted the event in Tehran, and ranked second by grabbing 36 gold, 28 silver and 17 bronze medals. In the previous edition in Incheon, the country wrapped up its campaign with 57 medals in all - 21 gold, 18 silver and 18 bronze.

Iran at Asian Games

<table>
<thead>
<tr>
<th>Games</th>
<th>Gold</th>
<th>Silver</th>
<th>Bronze</th>
<th>Total</th>
<th>Rank</th>
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<td>1954 Manila</td>
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<td>1958 Tokyo</td>
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<td>20</td>
<td>22</td>
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Total 179 181 197 557 4

The following is a list of the number of competitors representing Iran at the Asian Games 2018:

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<th>Women</th>
<th>Total</th>
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<td>21</td>
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<tr>
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<td>Wushu</td>
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</table>

Total 279 99 378
Introduction
Raahbar Informatic Services Co. (RISCO) was established by the Ministry of Commerce in 1991, in order to provide technical and engineering services in the fields of ICT and e-commerce. Due to the implementation policy of article 44 of the constitution, the company turned into a privately held company in 2011. With more than 2 decades of experience, knowledge and expertise of its employees, which is considered as its greatest capital, Raahbar supports national and international public and private informatics projects.

The company’s main strength lies in the unique knowledge and experience of its team of experts and practitioners. Moreover, the company is one of the most important ICT holdings in the country, which is affiliated by a well-known public joint stock company with more than 120 subsidiary companies.

Subsidiary Companies

RailCom Raahbar Co. (RailCom)
A leading optic fiber company
Tel: +9821 4286 1700

Tose'e Samaneh Behroozi Ghaziri Co. (ISEEMA)
The 1st IPTV and OTT service provider in the country
Tel: +9821 4286 1100

Dana Integrated System for Electronic Interactions Co. (SITAD)
A leading company in electronic interactions
Tel: +9821 4286 1600

Fasovanet Etemaad Raahbar Co. (RTT)
A certificate issuance center and E-single window for the Iran’s Unions System
Tel: +9821 4286 1200

Sarir Startup Accelerator Co. (SARIR)
A corporate startup accelerator focusing on ICT startups
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Coming out of Imposed Policies

All the three economic institutions have legal and defined powers and are responsible for those authorities, and do not need to be subject to another institution.

Iran has immense development capacity, material wealth and natural resources, but is facing a serious economic development challenge that is constraining this huge potential. Iran’s main working challenge is actually economic – that is, a chronic stagflation environment in conjunct with the economic misuse of resources (including the human and natural resource base). This adversely affects both social capital and natural capital. To overcome, a policy resolution is required and a change in approach, along with focused programmes to support targeted groups. In other words, a need to change the way we do things and the things we invest in, and focus on balance and sustainability – rather than pushing for excess (1).

There are many places to start such a solution process. Given the unemployment problem, that is mixed up with poverty, and generally as agricultural GDP growth is more effective at reducing poverty (and raising poor people’s employment) than national GDP growth, one could start with the agricultural and rural sector. One good and cost effective solution leading to such outcomes would be focusing on the small farmers and poor households in the rural sector. As the conditions are right for this in Iran (i.e. large base of small farmers) this could lead to real cost-effective results. It can also lead to good value chains in the processing of food, so as to ensure high employment multipliers, and subsequent good economic growth – if focused on, organised and supported appropriately. Leading to both inclusive growth and sustainable development outcomes in the rural sector: prompting sustainable wealth consumption and demand for ordinary goods and services.

Developing Small Farmer Households Capabilities

Dr. Tahmasb Mazaheri, Former governor of the Central Bank of Iran (CBI)

Imposed Policies

The three economic institutions have legal and defined powers and are responsible for those authorities, and do not need to be subject to another institution. These institutions, while having autonomy, complement each other. The point is that, in some cases, each of these three organizations decides in their own interests and proposes a policy in expert discussions and reports. But in other cases, policies are being proposed by an institution such as the CBI, which is not consistent with the overall view of the government and the President. This contradiction leads to a decision that is taken by the President himself. This means a decision is made which is contrary to the expert and policy views of the said institution. That is where the differences surface and the relevant organization implements the communicated policy. After implementing these policies, which is not the choice of the policymaker, the harmful effects of the decision would hurt the organization.

Now, if the relevant institution defends the decision, the expert body would not cooperate; meantime, if they fail to defend the executive policies, they would be questioned as to why this decision has been made. This phenomenon has occurred over the past five years at the Ministry of Finance and Economic Affairs, the MPO and the CBI. For example, regarding monetary policies, interest rates on deposits and foreign exchange rates, what has been implemented has been different from expert opinions of the CBI. The CBI has always defended a single rate for foreign exchange however the policy of suppressing the exchange rate and using it as an anchor of inflation control has been communicated by the government to the CBI and the latter has obeyed. Today that the negative effects of this policy have been unveiled, the CBI can neither defend these policies nor can it say they have not been approved by it and have been imposed by the government. Spending more than what the budget decides and the consequent budget deficit is not approved by the expert body of the MPO. The government’s enthusiasm to provide more service to the people would cause the government to expend more than its revenues and cause budget deficits. The result was that liquidity under the first term of the Rouhani administration was two and a half times higher and created the potential for increasing inflation and the growth of prices for goods and services.

Under the current circumstances, the economic team is defined within a single set as long as it is subject to the policies of the government and the President. The heads of the MPO, the CBI and the minister of finance and economic affairs are responsible for implementing the communicative policies; thus changing the economic team, if not accompanied by a revision of the economic policies of the government and the President, would not make a difference. But if changes in the cabinet are accompanied by a change in the views of the government and the President, we can expect tangible changes. Of course, a change in the views of the President and the government can make the current economic team counter new conditions that could lead to their success.

Dr. Mohammad Ali Farzin
Development Economist

I teems that we need to offer a clear definition for the ‘economic team’ in order to be able to comment on the performance of the incumbent government’s economic policies. The government’s economic team can be defined as the government’s chief policy-makers, namely the President and the first vice president, as well as the economic ministers, including the head of the Management and Planning Organization of Iran (MPO), the minister of finance and economic affairs, the CBI governor, the minister of industry, mine and Trade, and the minister of oil, which are generally effective. This definition is more comprehensive than the conventional definitions which introduce the Ministry of Finance and Economic Affairs and the CBI as the economic team alongside the MPO because the authorities of these three institutions, while maintaining legal independence of vote, execute the policies the government delegates to them, and this is just normal and customary!

In the breakdown of the economic policies, the CBI is responsible for monetary and banking policies, and, in this regard, it has legal independence for decision making. The MPO chief is responsible for those authorities, and does not need to be subject to another institution. The Ministry of Finance and Economic Affairs, and decides formulated and implemented at this institution. The Ministry of Finance and Economic Affairs, and the CBI are responsible for monetary and banking policies and, in this regard, they would be questioned as to why they fail to defend the executive policies, if not accompanied by a revision of the economic policies of the government and the President, would not make a difference. But if changes in the cabinet are accompanied by a change in the views of the government and the President, we can expect tangible changes. Of course, a change in the views of the President and the government can make the current economic team counter new conditions that could lead to their success.
well as into an excessive imbalance between asset values and income flows (that pushes investment towards rentier type initiatives). The result of these two is a distortion and imbalance between savings initiatives (that also diminishes returns on investment and so making any future new investment less useful, therefore reducing level of economic growth and shortening its duration).

What are the reasons for this? Many. Including the current general approach to economic development policy: that is, the prevailing economic “sole-growth” policy approach and focus. This approach prompts wealth generation and, along with large oil earnings, can easily finance large scale approaches and high technology - for higher growth rates. Iran has always targeted achieving 8% GDP growth per annum. This approach is very good for society and, as wealth growth rates do not create circumstances of wealth concentration and income is distributed well, and proceeds are invested back into the system appropriately - so as to ensure demand is sustained for domestic production and balance follows. However, once excessive capital intensity and high overhead costs (relative to income flows) are generated in such a process, and if along with sustained high levels of interest rates and rentier type costs, then the problem starts over-shadowing the ongoing benefits and with contradictory effects.

That is, if such a policy approach is constantly repeated it means the repercussions of programmes are generational and structural. They also lack focus of opportunistic programme development. The focus on SFH would be usefull for also reversing the current capital intensive growth process (and serious development challenge it creates).

**Solution Opportunity**

So what is the solution? As always, and generally, and if the conditions can be made right, one has to invert any problem to find its solution. In Iran the solution would then require focusing on the opposite: that is, small-scale, low overhead cost and low rentier approaches and techniques. Along with functional programmes (instead of passive “safety nets”) that support bottom-up and community based approaches to micro and small scale enterprise development. So as to reverse the process and enable the money income flow to then “trickle-up”.

More formally, one needs to fully adopt an economic “inclusive-growth” policy approach and focus. It would be the right solution for Iran’s stagflation rooted socio-economic and development problem.

Such approaches and complementarity focused programmes to the prevailing sole-growth approach have been undertaken in many countries and with great success. For example, the Indian IN-REGAS experience; especially Thailand’s OTOP which has been truly innovative; Brazil’s interesting BOLSA FERDE; and South Africa’s Working for Water programme. The multi-faceted gains of such programmes have been significant. One could even dare say that such focused programmes could potentially raise national GDP growth by at least 1% - as initiatives in these countries have shown.

Iran needs to implement similar programmes. The opportunity does exist. Iran is a semi-arid country and facing growing water shortage; with a population forecast to rise from current 80 million to 100 million by 2040. So Iran’s food production will need to increase significantly, by at least 25%. One opportunity to start with is the small farmer: who is well placed to help in the challenge of both food security and water production, and raising economic growth sustainably.

Of Iran’s 81 million population, about 23 million people live in rural areas (about 5.8 million households). Of these small farmer households (SFH) make up about 15 million persons or so in the rural sector (or 2.5 million households that have some form of landholding). That is, 18% of Iran’s population. This should be the focus of opportunistic programme development. The focus on SFH would be useful for also reversing the current capital intensive growth process (and serious development challenge it creates).

Who are the SFH? A wide range of producers may be described as small holder, family farmers, peasant farmer, and khoshneshin. A main definition is that in developing contexts SFH are characterised by a limited access to resources – whether financial, material, technologi cal, human capital, institutional or infrastructural. They also lack capability to be multi-functional and/or to access multiple dimensions of needs. This focuses primarily on SFH who rely more on their own household labour, who have limited land holdings and whom derive income primarily from the land (or from off season labour) through their own effort.

The programme targeted SFH (in Iran) are those who generally own less than 5 hectares of land, but with more emphasis and support for those who own less than 2 hectares; those who face food insecurity and/or are living on less than half the minimum wage (in Iran currently circa 10,000,000 Rials/month); have the potential to increase their own yields, and have reputation for good practice adoption and hard work; belong to or are willing to join a membership-based informal group or formal cooperative; who are located in areas where other agricultural and development agencies are present in order to ensure synergy and multiplier action.

A number of steps need be taken in order to enable SFH potential (and overcome constraints). There is a cost involved: for programming: in institutional changes; complementary mechanisms; sourcing budgets; establishing partner ships; etc. First, the programming must be multi-dimensional - all seen and programmed together: water development, rural development, economic growth and the natural resources base need to be linked (integrated) fully together. At the moment there are programme disconnects – in between and at different institutional levels. Iran’s current economic growth approach (especially the sole-growth approach in particular), need to be linked up more in planning terms with natural resources specific and initial local conditions, in order to ensure linkages between results/targets, solution paths and initial resources – so as to help both mitigate the sustainability (stagflation) issues and to prompt growth.
as the Persians say. As indicated, Iran has many such challenges, including rising capital costs of employment generation, underemployment (working poor), unemployment, relative income poverty and income inequality, lower than potential growth rates for SFH outputs and activities (their income growth rates are possibly no higher than 2%-3% per annum), fundamental relative economic price issues (the rentier intermediary gain between agricultural production and retail sales is large), rural sector institutional structures and top-down superstructure due to centralized interventions, appropriate inter-sector integration (e.g. water supply), as well as continued capital (intensive) investment that generate little employment (and prompt imbalanced growth).

Third, the SFH themselves are now facing low incomes and increasingly smaller parcels of land (due to legal, inheritance and cost-benefit issues); a problem that needs to be resolved sustainably, fairly and efficiently, and cannot be done by a market price (sole-growth) approach alone. The scale and reliability at which SFH produce, and the structural issues involved - such as access to land, to credit, to roads and transport, to rural extension and technical assistance programmes, etc - limit SFH ability to participate in the national market and economy in an ideal manner.

However, and although Iran’s SFH remain weak and are subject to exogenous impacts and shock, they have, nevertheless, proven to be very resilient.

Policy Change

There is, therefore, both a potential and need for a programme based approach: one that enables for both integration and coordination between agricultural productivity interventions and social protection programmes for the SFH in the rural sector; to enable a minimum level of income security for SFH households (supporting long-term income generation and reducing poverty); and, at the same time enabling SFH to produce more and earn more. It is now generally, and internationally, believed that such a general approach will also raise agricultural (GDP) growth significantly. Given current rural constraints to production and income, and SFH dependency due to lack of capacities and integrated institutional support, many country’s governments have now expanded their own programmes to even procure raw and processed food and also handicrafts and other output from SFH as a way to combine the national development goals of raising general income and wealth, reducing poverty and inequality, and also expanding domestic food production. The ThaiLand OTOP is a prime example and has already been indicated (7).

Significant progress in raising food security, through more physical output, has also occurred over the past decades in Iran. However, in order to ensure the sustainable (self-sufficient and resilient) contribution of the agricultural sector to the Iranian economy, the rural/agriculture sector needs to itself become more resiliently productive. That is, also conjointly increasing the right programme mechanisms for supporting SFH and their subsequent contribution to national GDP growth.

International standards (e.g. the United Nations F.A.O. global goals, and also the S.D.G.’s) also highlight reduction of rural poverty and enabling more inclusive and efficient agricultural and food systems at local, national and international levels: initiatives to directly address the challenges of SFH are on a community-based orientation and with rural organizations and institutions strengthened; along with facilitated collective action of the rural poor and their improved access to and control over rural services, finance, knowledge, technologies, rural infrastructure, markets and natural resources.

Some Figures

Although agricultural yields, output and product variety are still far from potential, with room for improvement, Iran has experienced continued rising agricultural sector output (8). Over the long term, sector added value has been rising at circa 5% on average per annum. The 2016 total rural GDP (value added) at current prices was estimated to be circa 1000 Trillion Rials: with 70% of this from specific agricultural income (farming, herding, fishing, etc). The farming/crop sector is the main value added contributor in agriculture; the livestock sector comes second. Both probably make up two thirds of total rural income. Economic productivity (value added) per the 5 million or so rural workers (including 4.2 million farmers) and 1 million or non-agricultural, stood at circa 200 million Rials/capita. Rural income per capita (all rural population) was of course less, at circa 44 million Rials.

Total physical output rose from 7 million tons in late 1950’s to current circa 30 million tons or so (or a 5.4% rate of physical growth per annum): the same period wheat production rose from 2.7 million tons to current 12 million tons; livestock numbers from 30 million head to current 82 million (a 2.8% rate of physical growth per annum). This agricultural output and rural income generation is supported by natural, human and man-made resources: 17 million hectares of potential arable (cultivable) land, 405 billion cubic meters per annum of potentially available water, 5 to 6 million people (mainly SFH and labour), 14 million hectares of forest and 28 million hectares of rangeland. Including the market, technological and infrastructure institutions on top of it.

However, there are many constraints to sustainable and inclusive growth. A main challenge is agricultural sector structure and its impact on SFH productivity: the current land ownership and production trends are increasingly marginalizing the SFH, limiting their potential agricultural output and reducing general welfare gains of higher food output possibilities for them. Of the circa 3.5 million farmer owner holdings in the 2000-2010 period, about 1.2 million holdings were under 1 hectare, and 1.3 million holdings were between 1 hectare and 5 hectare. A total of 2.5 million SFH, with less than 5 hectares of land – owning about 3.5 million hectares out of a total...
of about 17 million hectares of cultivable land in Iran. This structure limits efficiency and scale of activity of SFH: not only a potential loss and opportunity cost of possible additional 1% contribution to GDP growth, but also an inability of SFH families (15 million people) to easily procure consumption goods and assets (and remaining in the poverty trap).

The above indicate the larger constraints on the SFH. However, and again, the relatively good physical supply response of farmers over the years, especially the large SFH base, in difficult conditions has also proven robust and resilient in the face constraints and complexity.

New Approach and Programme

The challenges mentioned above constrain development in agricultural added value, physical output growth and rural potential, and especially in development of SFH with its vast potential for gain. Matters and constraints to be foreseen and alleviated. In order to sustainably improve agricultural output and rural income, a change in approach and technique would be helpful. From a focus on large scale, capital intensive and hard tech/infrastructure, to less of all three.

Methods that can ensure employment and well-being for all, and at the same time restore the natural/human resource base through the new investment/employment actually generated. Employment that is based more on micro and small social enterprise, and through community-based actions that can ensure both value added growth and ecological restoration at the same time. That is, possibly, through green jobs and more labour intensive type integrated natural resources management (INRM) approaches that can also provide alternative livelihoods. Much global experience exists in this regard (the experiences of South Africa and Brazil were indicated).

Programme based and focused interventions for developing SFH capability to function are an effective way of ensuring this: so that they can continue farming in a sustainable and resilient manner and continue restoring the ecological system – in the process developing their social capital. An inclusive rural development programme type approach is one solution, and focused on SFH capability development through strengthened institutions and support mechanisms, and towards four outcomes:

i) support to combined socio-economic capacity development to ensure that SFH value added growth rates double (and treble) from the current low rates, and their poverty is halved – preferably through micro, social enterprise and SME development;

ii) support through various mobilization, procurement and protection mechanisms;

iii) ecological restoration activities through integrated natural resources management (INRM) undertaken by the SFH themselves; and,

iv) incorporation of technology and knowledge improvement in the rural sector for developing local, endogenous capacities of inter-sector and integrated solutions (by the local communities).

When such a programme for achieving the four outcomes is undertaken simultaneously, through bottom-up approaches, it will raise the functional capability of Iran’s 2.5 million SFH, and will also be a response to the prime joint need for both increasing Iran’s food production and keeping the Iranian ecology safe.

As mentioned above, Iran’s policy focus and inherent (natural) growth process increasingly moves the country into larger-scale agriculture and agro-industries. It is, therefore, even more crucial that such a combined productivity, support and protection policy approach for SFH is fully established – to also compensate for the wealth concentration and to ensure overall demand in the economy. Despite large farms (above 10 hectares) dominating food production in Iran, and producing more than two thirds of the cereals, livestock and fruit, the small farms of less than 10 hectares of land also produce a third of Iran’s food, and have the advantage of having more diverse and nutritious food production. They also cover more poorer populations, who are less capable and more in need (e.g. the SFH) and so ought to be supported and protected.

Such a programme based proposal requires linkages between SFH functionality, and institutional frameworks and the market interventions required to support SFH capability development, mobilization, incentive provision, micro-enterprise development and institutional demand-based policies (so as to make markets). The main pathways through which institutional demand (i.e. procurement and guaranteed purchases – as OTOP) promotes inclusive rural development include:

- Developing coping strategies and resilience for SFH: as stable incomes of SFH would prevent them making decisions that undermine their own capability and welfare.
- Ensuring domestic food security: by targeting vulnerable groups through food assistance programmes; ensuring micro producers receiving minimum guaranteed remunerative prices; allowing domestic market growth through purchase of food from local markets; increased demand for food generates productivity gains – strengthening local and regional food systems.
- SFH households invest more: more secure livelihood allow SFH households to purchase inputs and machinery, which leads to increased productivity; able to buy assets (land and livestock) and move to more profitable economic activities.
- Provide safety net that secure minimum income and entry into a secure market.
- Promote local development: increased demand for food can promote local development through spillover effects; increasing employment opportunities and wages.

The product categories for procurement support in Iran could include: food (raw, preserved and processed; including beverages); herbal products (non-medical; or raw basis for medicine); carpets and rugs; fabric and clothing; wood handicrafts: decoration, gifts, souvenirs. The product characteristics must have local comparative and relative advantage – to overcome market constraints; reflect local identity and values (culture, way of life, knowledge, etc.); use mainly materials from the region, area or locality – to ensure intermediate goods prompt multipliers; be socially useful and result in no damage or loss; environmentally friendly; and chosen to represent the community identity.

In this approach, the prevailing institutional approach to rural extension (targeting average and model farmers) also needs to change. It does not fully support SFH development. Cooperative and Public-Private-People-Partnership type approaches, and especially resilient and inclusive rural development programmes through extension and education services should replace; as would local problem solving and adaptive research capacity at the local research institutional level.
These require improved education, extension and input provision services for SFH (adjusting to service SFH in a more focused and programmed manner); raise investments in soil fertility (fertilizer and seeds for subsistence crops) and improved small-scale water control and management; focusing on rural women’s needs; improving storage and processing for higher value added production; improving SFH access to livestock; supporting SFH micro enterprise; and establish institutional programmes - towards sustainable development planning frameworks; micro and social enterprise, as well as SME development support, for SFH through establishment of business growth center (incubator) processes and market oriented capacity development, as well as guaranteed procurement techniques; prompting SFH production, value chain and monetary flow increases in any specific region (a synergetic multiplier approach) – possibly at District level; institutional demand as a time-bound coordinated guaranteed procurement from SFH, primarily through local goods/food procurement, for regional distribution; social protection of SFH - to ensure their minimum well being (for health, education and basic needs), and capability development, through various means, programmes, funds and transfers; Ecological restoration through SFH mobilization for “green zone” activities especially through tree planting and rainwater harvesting; Ensuring institutional entities that provide technology and knowledge support directly to SFH – for example ITC for incubation and growth centers in localities .

Activities for these implementation components include: assessing SFH conditions to identify constraints, opportunities and potentials for scaling up support and improving livelihoods; review rural development policies and national development plans, in terms of support to SFH; identify opportunities and formulate strategies and actions; assess production and diversification opportunities; assess alternative livelihood opportunities; improve SFH good agricultural practices, post-harvest, marketing and business management; develop small enterprise and social enterprises; establish informal group organizations at local level; establish farmer-market-finance linkages; establish farm field and business school methodology and capacity; establish cooperative made up of SFH; support institutional capacities; appraise existing services and pluralistic advisory services to identify needs, gaps and constraints.

Overall Indicators and Benefits

Given Iran’s potentially vast resources source base an inclusive growth and sustainable development policy approach in the rural sector focused on SFH, through an integrated inclusive rural development programme, and perhaps under the auspices of the Resilient Economy approach, could then contribute to the following indicators:

- Increasing employment levels and rates, from initial baseline, in the chosen areas/sites;
- Increased number of cost-effective projects that are being generated by the local communities and SFH groups in the area/site (with positive joint outcomes);
- Improved coverage of rural population through more equitable practices, opportunities, choices, capacity building and income distribution;
- Rising standards of living for the majority and rising out of poverty for the most vulnerable SFH – with a reduced number of households in poverty;
- Increased natural resource and environmental conservation through better practices and activities consistent with natural resource carrying capacity;
- Increased integrated and networked activities based on rural SFH community organizations and group action;
- Rising trend in number of rural SFH community organizations and cooperatives established (PPP).

The benefits of this are clear: an increased demand for rural produced non-food and food, goods and services; higher local sustainable productivity; social capital formation; local economic growth; agricultural growth; rural development; increases in wages and incomes; new marketing channels; reduction in risk and income uncertainty – especially for SFH; improved access to training, credit and technology; and lower food prices.

Once implemented, the outcome effects would include:

- i) raising average 5% agricultural GDP growth per annum to perhaps circa 7%;
- ii) raising SFH income growth from current low levels to 5% per annum and more;
- iii) raising income level of SHF beneficiaries and improving income distribution in rural areas, so reducing the national Gini from current circa above 4 down to around 3;
- iv) contributing an additional 1% to national GDP growth;
- v) ensuring more ecological resources restoration (by local communities and SFH themselves) and raising forest, woodland and bush from current 14 million hectares to hopefully above 16 million hectares; and
- vi) increasing water availability to agriculture from current 93 billion cubic meters to above 100 through rainwater harvesting methods and tree planting.

Therefore, once the SFH are targeted and supported, such an approach would achieve the above and also could help stabilize the rural sector and prevent migration from it to urban areas.

(Endnotes)

1. Part of a series on small farmer households potential for contributing to national economic growth; in forthcoming issues of Iran International. These are derived from previous work by this author including: consultancy Working Paper on integrated inclusive rural development programming for a United Nations Agency; previous Development Briefs for the UN in Iran while managing poverty-environment linked programmes; some articles in previous issues of Iran International (Full Employment - Green GDP - Community-based Rainwater Harvesting and Tree Planting - ...); more recently A Complementary Sustainable Growth Programme to Conventional Sole Economic Growth Oriented Policy in Iran (Mimeo).
2. For example, see the “structural macro-economics” works of Lance Taylor on this for the theoretical impacts.
3. The classic example is ecological damage and human migration due to excessive capital intensive investment in a closed waterbasin.
4. This author has previously written of the “inclusive growth” approach in a number of articles in Iran International.
5. A Complementary Sustainable Growth Programme to Conventional Sole Economic Growth Oriented Policy in Iran (Mimeo) by this author indicates how to establish this linkage.
6. It is estimated that during a fifteen year implementation period the ODIP produced nearly $100 billion of value added (GDP) alone for its SFH and rural people – and obviously much more in monetary flows.
7. From various Statistical Centre of Iran - Islamabad.
8. In Iran the Carbon Sequestration project pilot initiative undertaken in South Khorasan is a good example.
Mazandaran Special Issue

Iran International Magazine intends to publish, for the first time, a special issue on Mazandaran Province in cooperation with the Governor General Office of the province in January 2019.

Mazandaran Governor General Office invites all industry owners, businessmen, and exporters of technical and engineering services and all those interested in foreign trade to play a part in the special edition.

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