Iran’s Economy Needs Surgery!

Special Report

17 Million People Exposed to Water Stress
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 6 percent (7000 MW) of the electricity output.
Chairman of Board of Directors and Managing Director of Bank of Industry and Mine Ali Ashraf Afkhami issued a message on the occasion of Nowruz (the New Persian Year).

In his message, Afkhami, placing emphasis on support for domestic producers and products, said: Great family of Bank of Industry and Mine, dear colleagues; The year 1397, designated by the Supreme Leader as the Year of Support and Mine, dear colleagues; the BIM registered a more brilliant production, employment and industrial development in 1396.

In the meantime, as a development financing unit, the BIM is more important than ever. Fortunately, last year, our bank was able to play an important role in production and creating employment in addition to providing facilities as an advisor to domestic producers.

The Bank of Industry and Mine left behind the year 1396 under conditions that on the last days of the year, LCs were opened for two major industrial projects, namely the 484-megawatt Qeshm Energy Refining Project in the fields of pharmacy, processing, and trade. Also, BIM has financed the first steel mill projects and some other steel projects such as Rohina (Dezful), Pasargad (Fars) and Madkush (Bandar Abbas) worth more than 2 billion euros. Some of these steel projects have been commissioned. These actions by the BIM have considerably improved Iran’s ranking among steel-producing countries.

Furthermore, in May 2017, we were able to activate the Core Banking system as the first state bank and as a development bank in the international market. Up to the first six months of the year, BIM has been operational in 36 countries, and its experience has been acknowledged by the Ministry of Economic Affairs and Finance, the National Development Fund, and the Supreme Leader’s Office of the Islamic Republic of Iran.

Mr. Masood Karbasian, Minister of Economic Affairs and Finance, and Mohammad Shariatmadari, Minister of Industry, Mine and Trade have praised the Bank of Industry and Mine (BIM), as the first state bank to have successfully transferred the subsidiary companies under its cover to the private sector. According to the BIM news website, Karbasian, in a letter sent to the BIM (regarding the transfer of 51 percent of the shares of the BIM Investment Company through the Securities and Exchange Organization), said it was a good example whereby the BIM managed to trade its shares at a suitable price.

Also, in order to implement the policies of the government and the emphasis of the Minister of Economic Affairs and Finance on the transfer of the companies of the banking system, we succeeded in successfully transferring 51 percent of the company stock on Feb. 13 after identifying legally eligible buyers.

Mr. Mohammad Shariatmadari, the minister of economic affairs and finance, also expressed his satisfaction with the transfer of the BIM Investment Company shares, congratulating the BIM on the transfer of its shares to the private sector.

In the meantime, as a development financing unit, the BIM is more important than ever. Fortunately, last year, our bank was able to play an important role in production and creating employment in addition to providing facilities as an advisor to domestic producers.

The Bank of Industry and Mine left behind the year 1396 under conditions that on the last days of the year, LCs were opened for two major industrial projects, namely the 484-megawatt Qeshm Energy Refining Project in the fields of pharmacy, processing, and trade. Also, BIM has financed the first steel mill projects and some other steel projects such as Rohina (Dezful), Pasargad (Fars) and Madkush (Bandar Abbas) worth more than 2 billion euros. Some of these steel projects have been commissioned. These actions by the BIM have considerably improved Iran’s ranking among steel-producing countries.

Furthermore, in May 2017, we were able to activate the Core Banking system as the first state bank and as a development bank in the international market. Up to the first six months of the year, BIM has been operational in 36 countries, and its experience has been acknowledged by the Ministry of Economic Affairs and Finance, the National Development Fund, and the Supreme Leader’s Office of the Islamic Republic of Iran.

Mr. Masood Karbasian, Minister of Economic Affairs and Finance, and Mohammad Shariatmadari, Minister of Industry, Mine and Trade have praised the Bank of Industry and Mine (BIM), as the first state bank to have successfully transferred the subsidiary companies under its cover to the private sector. According to the BIM news website, Karbasian, in a letter sent to the BIM (regarding the transfer of 51 percent of the shares of the BIM Investment Company through the Securities and Exchange Organization), said it was a good example whereby the BIM managed to trade its shares at a suitable price.

Also, in order to implement the policies of the government and the emphasis of the Minister of Economic Affairs and Finance on the transfer of the companies of the banking system, we succeeded in successfully transferring 51 percent of the company stock on Feb. 13 after identifying legally eligible buyers.

Mr. Mohammad Shariatmadari, the minister of economic affairs and finance, also expressed his satisfaction with the transfer of the BIM Investment Company shares, congratulating the BIM on the transfer of its shares to the private sector.

In the meantime, as a development financing unit, the BIM is more important than ever. Fortunately, last year, our bank was able to play an important role in production and creating employment in addition to providing facilities as an advisor to domestic producers.

The Bank of Industry and Mine left behind the year 1396 under conditions that on the last days of the year, LCs were opened for two major industrial projects, namely the 484-megawatt Qeshm Energy Refining Project in the fields of pharmacy, processing, and trade. Also, BIM has financed the first steel mill projects and some other steel projects such as Rohina (Dezful), Pasargad (Fars) and Madkush (Bandar Abbas) worth more than 2 billion euros. Some of these steel projects have been commissioned. These actions by the BIM have considerably improved Iran’s ranking among steel-producing countries.

Furthermore, in May 2017, we were able to activate the Core Banking system as the first state bank and as a development bank in the international market. Up to the first six months of the year, BIM has been operational in 36 countries, and its experience has been acknowledged by the Ministry of Economic Affairs and Finance, the National Development Fund, and the Supreme Leader’s Office of the Islamic Republic of Iran.

Mr. Masood Karbasian, Minister of Economic Affairs and Finance, and Mohammad Shariatmadari, Minister of Industry, Mine and Trade have praised the Bank of Industry and Mine (BIM), as the first state bank to have successfully transferred the subsidiary companies under its cover to the private sector. According to the BIM news website, Karbasian, in a letter sent to the BIM (regarding the transfer of 51 percent of the shares of the BIM Investment Company through the Securities and Exchange Organization), said it was a good example whereby the BIM managed to trade its shares at a suitable price.

Also, in order to implement the policies of the government and the emphasis of the Minister of Economic Affairs and Finance on the transfer of the companies of the banking system, we succeeded in successfully transferring 51 percent of the company stock on Feb. 13 after identifying legally eligible buyers.

Mr. Mohammad Shariatmadari, the minister of economic affairs and finance, also expressed his satisfaction with the transfer of the BIM Investment Company shares, congratulating the BIM on the transfer of its shares to the private sector.

In the meantime, as a development financing unit, the BIM is more important than ever. Fortunately, last year, our bank was able to play an important role in production and creating employment in addition to providing facilities as an advisor to domestic producers.

The Bank of Industry and Mine left behind the year 1396 under conditions that on the last days of the year, LCs were opened for two major industrial projects, namely the 484-megawatt Qeshm Energy Refining Project in the fields of pharmacy, processing, and trade. Also, BIM has financed the first steel mill projects and some other steel projects such as Rohina (Dezful), Pasargad (Fars) and Madkush (Bandar Abbas) worth more than 2 billion euros. Some of these steel projects have been commissioned. These actions by the BIM have considerably improved Iran’s ranking among steel-producing countries.

Furthermore, in May 2017, we were able to activate the Core Banking system as the first state bank and as a development bank in the international market. Up to the first six months of the year, BIM has been operational in 36 countries, and its experience has been acknowledged by the Ministry of Economic Affairs and Finance, the National Development Fund, and the Supreme Leader’s Office of the Islamic Republic of Iran.

Mr. Masood Karbasian, Minister of Economic Affairs and Finance, and Mohammad Shariatmadari, Minister of Industry, Mine and Trade have praised the Bank of Industry and Mine (BIM), as the first state bank to have successfully transferred the subsidiary companies under its cover to the private sector. According to the BIM news website, Karbasian, in a letter sent to the BIM (regarding the transfer of 51 percent of the shares of the BIM Investment Company through the Securities and Exchange Organization), said it was a good example whereby the BIM managed to trade its shares at a suitable price.
Managing Director of the Bank of Industry and Mine (BIM) Ali Ashraf Afkhami after trading the shares of the bank’s investment company, stated: “Our goal is banking, not running enterprises. Managing economic enterprises was imposed on our bank at a certain juncture of time.”

Speaking to the BIM news website, Afkhami outlined the policies of the bank in trading the companies under its cover. He said the BIM as a development bank and due to the nature of its activities has not been seeking to run enterprises and that the current business establishments under its cover were all delegated to the bank under certain circumstances.

He pointed out that the number of BIM subsidiary companies was very small compared to other banks in the country, noting: “We have started implementation of the BIM divestment policy since the calendar year 1392 (2013/14) and during this time a large number of subsidiaries have been transferred. But the transfer of the BIM Investment Company due to the particular status and successful record was more important. Afkhami added that certain regulations may have caused a delay in divestures, but his bank never wanted to have these enterprises and instead was more interested in developing the banking capacity and increasing international inter-

actions.

Commenting on trading the BIM Investment Company, he said: “The company is one of the successful and profitable companies in the stock exchange. In line with the government policy of divestiture and the emphasis placed by minister of economic affairs and finance we succeeded in successfully transferring 51 percent of the company stock on Feb. 13 after identifying legally eligible buyers.”

Afkhami thanked the ministers of economic affairs and finance, and industry, mine and trade for their full support for the transfer of the subsidiaries to the private sector. “After the 51 percent stake in the BIM Industry and Mining Investment Company was offered at the Stock Exchange, Iran Industrial Development Investment Company was picked as the buyer out of some competitors under the supervision of the Securities and Exchange Organization.

Afkhami noted that the BIM has been among pioneers in the country’s banking system in several areas such as opening of L/Cs after Iran Nuclear Deal (JCPOA), acquisition of the foreign credit lines, and establishing brokerage relations with 90 banks in 36 countries, and today by trading 2.295 billion shares of the BIM Investment Company at 4,360 billion rials.

Our Goal Is Banking Not Running Enterprises!

At a meeting of Governor General of Mazandaran Province Mohammad Eslami with deputy minister of roads and managing director of the Islamic Republic Railways and the officials of the Bank of Industry and Mine, practical ways for development of the infrastructure of Mazandaran railways were discussed.

Eslami, at the meeting, praised the key role played by the BIM in development of the country’s railways.

He noted that he had held another meeting with the railway authorities and pertinent BIM officials to discuss the follow-ups of the main projects aimed at development of the province. He said the Bank of Industry and Mine is one of the most effective banks in the country, which has played a key role in the development of the railways using the resources of the National Development Fund, but Mazandaran has not used these resources yet.

Pointing out that in the past they had reached agreement with the CEO and board of directors of the BIM for Mazandaran development plan, he stated: “Today, at this meeting, we decided to establish a joint working group to determine the credit model of this project with an initial estimate of 4 billion euros so that we can establish the Tehran-North Express Railway.”

Eslami further said: “We have also reached agreement on initial projects of the second line of the suburban railways of Babol, Qaem-Shahr and Sari along the main line. “We are trying to draw provincial investors and start this rail line as quickly as possible to reduce the traffic load in the province.”

BIM Plays Key Role in Developing Nationwide Railways

Governor of Mazandaran

Banking
Bank of Industry and Mine (BIM) achieved AA+ rating at the national level indicating Long Term Financial Strength Rating, Stable Outlook and the rank A1+ for Short Term Financial Strength Rating in the field of credit capability.

According to the BIM’s Information Center, Omid Mohammad Rahimnia, the head of BIM’s Risk Assessment and Control Department stated, “According to the report issued by Capital Intelligence, an independent acknowledged credit rating institute, on February 26, 2018 BIM managed to achieve this ranking in its third year of being evaluated.”

He added, “The bank could also achieve its previous international rating unchanged from the previous year’s rating and at the highest level of the country’s ranking indicating financial strength rating BB+, stable outlook and support score 2. Meanwhile, BIM is the only bank successful in obtaining such a rating.”

Rahimnia stressed that this success is in line with the strategy for the development of international interactions, and it aims at achieving the stated strategies in the fourth Strategic Plan such as improving and strengthening a comprehensive risk management system, improving performance transparency and compliance with international banking standards, expanding the network of international communications and interactions as well as the status and role of the bank at the level of agents in the country’s economic environment in which the bank operates, the business environment in which the bank operates, the country’s economic situation, the quality and profitability are among the factors that influence the bank’s rank.

It is worth mentioning that this is the highest credit rating which BIM has obtained among other banks as well as financial and credit institutions and insurance companies.

This is the highest credit rating which BIM has obtained among other banks as well as financial and credit institutions and insurance companies.

BIM Achieving the Highest National and International Credit Rating

Bank of Industry & Mine

This is the highest credit rating which BIM has obtained among other banks as well as financial and credit institutions and insurance companies.

Bank of Industry & Mine

The considerable points of the European institute’s recent report worthy to mention include the availability of assets of the BIM, which is relatively of higher quality compared to our country’s banking network, suitable storage of credit risk, managing the key role of BIM development as the only specialized sector of the Industry Division and thus having 100 percent government support in dealing with any financial-credit crisis, financing major infrastructure and infrastructure projects in the country for 30 years and acceptable financial ratios in the form of a development bank in spite of the lack of customers’ deposit in high volume compared to commercial banks.

Rahimnia said, “The advantages of this credit rating include providing the grounds for attracting capital from external sources at the lowest possible rate without government guarantees or in other words, facilitating access to finance in the international capital market, diversification into resources for attraction tools and resource equipment, reducing unnecessary commitments and providing fresh resources to fund projects, transparency of bank performance as well as improving the international credit of the bank and the banking system of the country.”

It should be noted that credit ratings of banks are important tools that influence the decision of real and legal stakeholders of banks both in the national and international arenas in order to facilitate the establishment of a commercial and financial relationship comfortably. In other words, the higher rank is considered to increase the competitive ability of the bank to attract diverse and cheap resources and attract investors in the international arena.

Factors such as bank ownership structure, quality and management capability, systems and control tools used in the process of granting facilities, business operations and treasury, the business environment in which the bank operates, the country’s economic situation, the quality of bank assets, capital adequacy, liquidity and profitability are among the factors that influence the bank’s rank.

ARFA Iron & Steel Co. was established on February 19, 2005 as a joint-stock company and was registered at Tehran General Office for Company Registration and Industrial Property.

The direct reduction unit with a capacity of 800,000 tons was commissioned in May 2012 and the steelmaking unit with the same capacity was put into operation in June 2013.

The direct reduction unit was also realized in 2013. The main activity of the company during the reporting year was production of steel and sponge iron and steel ingots.

The direct reduction unit has crossed the nominal production limit since 1392 (2013/14) and the achievement of nominal daily production in the steelmaking unit was also realized in the year 1395 (2016/17).

In the past year, the Direct Reduction Unit passed the annual nominal capacity for the fourth consecutive year and the steelmaking unit reached its annual nominal capacity thanks to the efforts of management and dedicated and hard-working employees.

The company has plans to increase the capacity of existing units and hopes to achieve the capacity of 1.2 million tons of sponge iron in the DRI unit and one million tons of ingots in the steel mill in the coming years.
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.
“Haraz Dam supplies part of the agricultural and drinking water and needs to be completed; also 37 kilometers of the Haraz road need to become four-lane road”, Dr. Nobakht said.
Vice president and head of the Plan and Budget Organization says that there was an investment growth of 1.5 percent in 1396 (2017/18) over a year before and a growth of 4.7 percent in economy and production without taking oil into account.

Speaking at a local planning session of Mazandaran Planning and Development Council, held at the site of Haraz reservoir workshop, Mohammad Baqer Nobakht said according to the law the PBO has responsibility for the country’s management and development. “Development in the country is possible when each and every province plays a role in development of their region’s geography. Our debate today concerns the development of Mazandaran Province.”

The government spokesman said the banking system granted 180 thousand billion rials to 26 thousand small and medium-sized enterprises last year (2017/18). He said the economy and production recorded a growth of 4.4 percent (including oil) and 4.7 percent (excluding oil).

He added that in the employment sector out of 836,000 people added to the active population, 819,000 were employed, and about 17,000 people were added to the unemployed population.

He stated that Mazandaran should specify its share of the allocated facilities, adding that the figure 180 thousand billion rials last year was increased 734,000 billion rials following the help of the government and under Clause 18 in the current year. He said Mazandaran has used only 10 thousand billion rials from the past year’s credit line.

The VP said there was competition between provinces for the development of their regions, and called for an increase in the share of Mazandaran in the employment sector. He said more than one million and 33 thousand new job opportunities have been seen projected for the new calendar year.

He pointed to the government’s innovations and added: “The government this year tried to reduce the focus on the budget, use government funds as leverage and utilize the resources of the fund; some 1,260 thousand billion rials has been allocated and the share of Mazandaran should be specified.”

Dr. Nobakht, pointing out that something must be done for the water of Mazandaran, said: “Haraz Dam supplies part of the agricultural and drinking water and needs to be completed; also 37 kilometers of the Haraz road need to become four-lane road.”

He called for the participation of Mazandaran in tourism industry and said: “Clause 13 gave permission to use the private and nongovernmental partnership, because our resources are limited and we must have the maximum use of these resources.”

The PBO chief cited waste management, water, railways and oil as other issues for discussion and called for paying attention to these issues. He also addressed the provincial executives, saying: “Mazandaran governor general is an experienced and competent manager, and for us, Mazandaran is also a sensitive area that everyone should try to develop.”

Mohammad Eslami, the governor general of Mazandaran, said: “With the development of priority industries and activating the existing production units and establishment of a milk refinery, 30,000 new jobs will be created in the province.”

Emphasizing that provincial development plans will be operational this year with a fair distribution of resources and capacity of each city, he said the province’s developmental outlook is being shifted from expecting government help to looking for new sources.

He added that Mazandaran development document has been drawn up with a view to the ‘Economy of Resistance’, people-oriented and knowledge-based economy. “We have held negotiations with a large number of investors to advance 12 development priorities of the province.” Eslami cited the following as the development priorities of the province in 1397 (started March 21, 2018): Infrastructures, transportation and roads, agriculture, manufacturing, industries, minerals, knowledge based enterprises, tourism, urban development, communications, increasing inland investments and exports.

The government’s high representative in Mazandaran said that production of new jobs will be created in the province.”
more than 6.5 million tons of agricultural products in the province was a potential capacity for the development of non-oil exports in the country adding: “Achievement of $3 billion target in exports under the Horizon 1400 with the improvement of the mining sector, development of horticulture products, aquaculture, livestock, poultry and other agricultural products has been planned. Mazandaran Chamber of Commerce is committed to implementing this $3 billion export plan by the end of the Sixth Development Plan in the province.”

He noted that by establishing contacts between Mazandaran and the Caspian littoral states and holding multilateral meetings between the activists and businessmen of this province with their foreign counterparts, we are now seeking to increase international trade and transportation companies for the purpose of developing exports.

He mentioned the activities of dairy factories in the province as another reliable capacity for realizing the export target adding, “By signing a memorandum of understanding with dairy companies, development of animal husbandry and establishment of a milk refinery within the next two years, at least 30,000 new jobs are expected to be created in this sector.”

Eslami added that funds for livestock development will be provided from the rural employment facility, and there is no problem with this.

He also said in order to reduce the problems caused by heavy traffic on the roads of the province to Tehran, the development of freeways from Tehran to Mazandaran and a coastal freeway have been approved by the government. “In the development outlook of the province special attention has been paid to transportation and alongside road transport, air and railways freight will also boom.”

Eslami said experiencing the first winter without gas supply cuts in Mazandaran in 1396 (2017/18) was due to the government’s efforts in resolving the problems of the provincial people. “Now many contractors are implementing gas supply plans to the villages and mountainous regions of the province.”

He said the government support for household occupations and development of this sector, tourism plans, fisheries, and guaranteed purchases of rice were among other measures taken by the government to reduce problems and increase sustainable employment in the province.

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.
Deputy Minister of Industry, Mines and Trade and the Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO) Chief Executive Officer said that $4.5 billion worth of mineral and mineral industries projects were launched last Persian calendar year (ended March 20, 2018), adding that $1.5 billion in new project will be inaugurated in the new year.

Dr. Mehdi Karbasian expressed hope that the new Persian year 1397 (2018/2019) will be a year of economic opening for the people. He also said he was relatively happy with the record last year of the mining and mining industries. He said the mining sector experienced output growth, more exports, productivity and investment in the previous year.

He added that the growth in the mining sector had been noted by the Supreme Leader and the President in their remarks last year. Among the projects commissioned by the President and first VP last year, there were a number of projects commissioned by IMIDRO or those backed by the organization to overcome their problems.

New Project worth 320 Trillion Rials
The IMIDRO CEO said the balance in steel output faced problems in 1392 (2013/2014), but in 1396 (2017/2018) the capacities were increased in pellets sector, concentrates and sponge iron. He said about 700,000 tons of sponge iron had been exported last year and hoped that in 1397 this balance will get closer to the 55 million target. He said at the beginning of the 11th government in 1392, we had half-finished and unfinished projects worth 240 trillion rials. We attracted 80 trillion rials from the private sector to activate all the projects. Also, in 1396,
I am confident that we will have a good year in 1397 with the grace of God and the management of our colleagues, a year of dignity and pride of Iran.

new projects worth 320 trillion rials were started or were activated in the mining and mining industries sector.

According to Karbasian, in the steel sector, three provincial sponge iron projects were commissioned during 1396. With the follow-ups of the National Steel Company, the steel sector of the projects will also go on stream. As for gold production, he said there has been some improvement in Zarshuran gold mine and expressed hope that other deficiencies would be removed in the current year. Also in Muteh complex, gold production increased from about 200 kg to 600 kg.

He added that in the aluminum sector the problems we faced in 1395 (2016/2017) remained unresolved. “We could not get our dues for the sale of Al Mahdi Hormozal Company. We also had liquidity problem with IRALCO but Al Mahdi Hormozal Company. We also could not get our dues for the sale of our projects. Others will be inaugurated this year.”

Glencore plc. is an Anglo-Swiss multinational commodity trading and mining company with headquarters in Baar, Switzerland.

He said in 1396, the titanium project was activated after many years. The Parsian-Lamer special zone project also entered the construction phase and the first phase of the project is expected to become operational in the current year. Among other active projects of the calendar year 1397 mention can be made of rare earth elements.

Pointing to the special support for in-depth explorations as one of the priorities of IMIDRO in 1397, Karbasian said: “An important point we noticed in 1395 that was a source of pride was that this sector was introduced in the economic cycle, and investors who would not come forward made investments in this sector and made 100 percent profit.”

He added: “One of the positive steps taken in mining and mineral industries in 1396 that was a source of pride was that this sector was introduced in the economic cycle, and investors who would not come forward made investments in this sector and made 100 percent profit.”

Another goal is to complete half-year 1397 mention can be made of rare earth elements.

By implementing upcoming plans we hope to discover new mines and reserves and provide more production and employment opportunities. In 1396, the exploration programs continued with strength, and by the end of the current year, 180,000 square kilometers of initial activities of this exploratory program (aeronautical and geophysics) was carried out and was ready to be ceded to the private sector.

IMIDRO CEO noted that with discoveries made in the iron ore of Yazd Province and with excavations carried out at a depth of 1900 meters, we found reserves of about two billion tons of high-grade iron ore, which suggests that the country is rich in in-depth mines. He added that new deposits of bauxite were taken from the existing mines in the Jajarm region. Along with this, the record of alumina powder production was registered last year, and the Jajarm Alumimum ingot project was progressing well.

He added: “One of the positive steps taken in mining and mineral industries in 1396 that was a source of pride was that this sector was introduced in the economic cycle, and investors who would not come forward made investments in this sector and made 100 percent profit.”

Another goal is to complete half-finished projects at a faster pace, with a suitable timetable in order to reduce the costs, and this is among our honors.”

Registration of 20% Share of Mining & Mineral Sector from Exports

IMIDRO CEO said that mining and mineral industry exports reached $8.5 billion in the first 11 months of 1396, accounting for 20% of the country’s total exports and about 5% to 6% of the GDP. In the steel chain, we had a 34% increase in exports in 1396 compared to 1395. He added: “During 1396 in Sangan region, three projects were inaugurated and this year two other projects will go on stream. The region’s employment rate was less than a thousand in 1392, but now it has reached more than 4 thousand people, which has inspired hope in the youth of the region for the future.

Private Sector Investment Welcome

Karbasian said IMIDRO was obliged to invest in places where the private sector had the capability to invest. He added: “We are obliged to enter the field where the private sector is less likely to invest. For example, we open LC’s for Parvardeh 4 project in Tabas so that we could cede it if the investor shows interest.”

Need to Increase National Unity

At the end, Karbasian thanked the nuclear negotiating team, stating that we should accept that in 1397 foreign pressure would not decrease. “We should increase national unity to leave the crisis behind and move towards development, production and employment. Our national, religious and moral duty as IMIDRO is to do our job properly, increase productivity, raise production and reduce costs… I am confident that we will have a good year in 1397 with the grace of God and the management of our colleagues, a year of dignity and pride of Iran.”

in 1396, the organization’s status was good in this area. For example, in Mahdi Abad mine, along with the implementation of the project, the animal environment was also Heidi which led to an increase in birth rate in wildlife.
Iran Finalizing 2 Billion Euros of Foreign Mine Investment

Iran is finalizing about 2 billion euros of investment from Europe in copper and steel projects despite threatened new US sanctions, a government official said (April 26).

Early talks are also under way with Swiss investors to develop Mehdiabad, one of the world’s largest zinc deposits, Mehdi Karbasian, Deputy Minister of Industry, Mine and Trade, told Reuters.

“We’ve had experience (of sanctions) of more than 35 years, but I hope this time Europeans are going to continue to invest,” Karbasian said in an interview on the sidelines of the CRU Aluminum conference in London.

“We’ve been having very good relations with Europe a lot of imports, exports and investment for the benefit of both European companies and Iranian companies.”

Karbasian is also chairman of IMIDRO, the state-owned Iranian Mines and Mining Industries, Development and Renovation Organization.

Iran’s rich mineral reserves ranging from iron ore to gold plus cheap energy have attracted interest from foreign investors since Western sanctions were lifted under the 2015 nuclear deal signed by Tehran and six world powers.

Tehran, however, has assured investors it is seeking investors to develop Mehdiabad, one of the world’s largest aluminum facilities, and allows foreigners to hold 100 percent ownership of Iranian legal entities, according to a government website.

A new aluminum smelter, due to be launched early next year, will boost production by 70 percent and make the country self-sufficient in the metal, Karbasian told the conference.

The $1.2 billion Salco aluminum facility is being built and 85 percent financed by China’s China Nonferrous Metal Industry’s Foreign Engineering & Construction Co., or NFC.

In Iran, energy accounts for about 15 percent of the cost of producing aluminum due to the country’s plentiful gas reserves, while elsewhere in the world, energy can make up 30-40 percent of costs, Karbasian said.

Current talks regarding the 2 billion euros of projects include Italian and Austrian investors over two steel billet plants, while Danish investors are seeking to build a copper mine, Karbasian said, declining to identify the investors.

“We are finalizing these projects, they are advanced negotiations,” Karbasian said.

He said Iran was seeking $50 billion in mining and metals investment over the next four years to meet its ambitious expansion targets, which include boosting steel production by 77 percent to 55 million tons by 2025.

Iran, which also aimed to boost aluminum output to 1.5 million tons by 2025, does not have sufficient reserves of new material bauxite so it has secured a 400 million tons deposit in Guinea, for which it is seeking investors, Karbasian said.

A new aluminum smelter, due to be launched early next year, will boost production by 70 percent and make the country self-sufficient in the metal, Karbasian told the conference.

The $1.2 billion Salco aluminum facility is being built and 85 percent financed by China’s China Nonferrous Metal Industry’s Foreign Engineering & Construction Co., or NFC.

In Iran, energy accounts for about 15 percent of the cost of producing aluminum due to the country’s plentiful gas reserves, while elsewhere in the world, energy can make up 30-40 percent of costs, Karbasian said.

Current talks regarding the 2 billion euros of projects include Italian and Austrian investors over two steel billet plants, while Danish investors are seeking to build a copper mine, Karbasian said, declining to identify the investors.

“We are finalizing these projects, they are advanced negotiations,” Karbasian said.

He said Iran was seeking $50 billion in mining and metals investment over the next four years to meet its ambitious expansion targets, which include boosting steel production by 77 percent to 55 million tons by 2025.

Iran, which also aimed to boost aluminum output to 1.5 million tons by 2025, does not have sufficient reserves of new material bauxite so it has secured a 400 million tons deposit in Guinea, for which it is seeking investors, Karbasian said.

Investing $6 Billion for Producing 1.5 Million Tons of Aluminum

Addressing the opening ceremony of the fifth Iran International Aluminum Conference and Exhibition, Vice President of the Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO), Ardeeshir Saad Mohammadi said: “Aluminum industry has already attracted an investment of about $2.5 billion, but according to IMIDRO plans, the volume will reach about $6 billion. He further noted: “According to plans formulated by IMIDRO, we are supposed to bring the aluminum capacity to 1.5 million tons a year.”

He added: “Fortunately, aluminum is used by the industry in the mining sector as well as in the medical equipment industry. Explosive detonator pockets used mines are made of aluminum.” He also stated that the EU has designated 20 elements as strategic elements that include aluminum. In 2016, the global production of this metal was 58 million tons, and reached 64 million tons in 2017. There are talks to increase the volume to over 68 million tons in 2018 and plans to raise the output to 88 million tons in 2025.

The IMIDRO VP said that according to the latest forecasts, per capita consumption of aluminum in Iran will be increased to 10kg in 2025, which means annual per capita consumption will stand at 540,000 tons. “South Aluminum Company (SALCO) is one of the development projects with a total investment of $1.2 billion,” he said, referring to the development plans underway in the field of aluminum. The project has had 48 percent physical progress, and its first phase will be commissioned with an output of 300 thousand tons in early 1398 (the calendar year 1398 starts on March 21, 2019).

Jajarm aluminum project too will be launched with a capacity of 40 thousand tons, he said, adding: “Until next year, we will raise the aluminum production capacity in the country to 800 thousand tons. We also plan to hit a record of 1.5 million tons in the next few years.” He noted: “The aluminum sphere should be expanded in all its dimensions, one of which is the training of specialist work force.”

Saad Mohammadi noted: “Some 340,000 tons of aluminum was produced in the country last year. In Jajarm in the last calendar year (1396), some 240,000 tons of alumina powder was produced. It’s a must to launch an alumina powder plant.

We are looking to establish an alumina powder plant with a capacity of 800,000 tons along with SACO, which needs an investment of 600 million euros.”

Also, a 160,000-ton factory is required to produce flat aluminum within the plans to develop downstream industries, he noted.

He said a Coke Petroleum Project is also on the agenda with an investment of $850 million and “we hope to find a good investor for it.”

The IMIDRO official said the total proven bauxite reserves in the world are 28 billion tons, but the potential reserves are estimated at 60 billion tons.

“So far, more than 30 companies have announced their readiness to participate in Guinea’s bauxite tender, but I must say that we have bauxite deposits in the country at present, and we need to carry out more robust bauxite explorations in the country.”

In the meantime, IMIDRO has new plans to explore the bauxite deposits in the new calendar year, he said, noting: “For example, United Company of Rusal, one of the world’s largest aluminum producers, takes 24 to 26 percent alumina from nepheline syenite, but it should be noted that Iran’s nepheline syenite is 18 percent.”

Noting that there is good consumption market for aluminum, he said: “We can consider Turkey as one of the target markets for aluminum imports.”
Deputy minister of industry, mine and trade and chief executive officer of the Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO) said that according to data made public, the share of mines and mining industries in non-oil exports is 23 percent. He also said that non-oil exports fetched the country $45 billion.

Dr. Mehdi Karbasian said absorbing $250 billion in foreign resources under the Sixth Development Plan (2017/18 – 2021/22) is imperative. He noted that the growth rate of 8% has been projected in the years of the Sixth Development Plan, adding that the mines and mining industries expect a growth of 9.3%. He said one-third of this figure will be realized out of productivity.

Karbasian said the economy’s dependence on oil revenues is a cause of low productivity, noting that this reliance ends up to a lack of concern for the industry, trade, and so on. He stressed that the country has failed to use petrodollars in the path of excellence and growth, noting that Iran does not enjoy the international status it deserves today. Therefore, the country should work and struggle more to prove it is powerful and capable.

He recalled the World Economic Forum’s Global Competitive Report (2017-18) which put Iran’s position at 69 out of 137 countries, stressing that the figure stood at 76 a year earlier.

According to the IMIDRO CEO, the main indicator of productivity is business facilitation and that the public should be made aware of this. China, which did not have significant growth three decades ago, is now among the top three in the world in terms of growth, he noted.

Karbasian said that the productivity issue would not be resolved by awarding prizes, but that attention should be paid to all aspects of mining and mineral industries. 
The Forum for Partners in Iran’s Marketplace

The competent authorities can temporarily shut down any market in an emergency state in order to restore calm but they cannot impose their will on the people. The government’s declared official rate, and the fact is that the government will not be able to solve the problem by erasing the problem itself.

The procrastinations by the authorities responsible for reforming the exchange rate and conditions that double digit inflations drastically reduced the value of the national currency and the refusal to unify the exchange rate despite repeated promises was one of the big mistakes of the government, which ultimately paved the way for inelastic fluctuations. In the meantime, this state of affairs encouraged the opponents and enemies of the government to enter the foreign currency market and disrupt it. If the exchange rate in the past years had been adjusted in a timely manner in line with economic logic and was unified there would be no ground for turbulence in the foreign exchange market so that non-economic factors could take advantage of it.

In any case, the wrong direction the authorities have taken about foreign exchange policy will not yield any result other than what the enemies of the government desire. This policy would be no ground for turbulence in the foreign exchange market and transactions by citizens thereby reducing the risk of trading in this market, so that additional and unforeseen costs are not imposed on the applicants. Then, the government should apply the only appropriate solution, namely unification of the foreign exchange rate within the shortest possible time to prevent corruption and waste of resources.

The task force policy of fixing the foreign exchange rate was exercised with the argument that turbulence in the foreign exchange market was not economically motivated and that behind-the-scene security issues, and sometimes indescribable issues due to the nature of the matter, played the main role in this turmoil. Assuming this proposition is correct, there are a few important questions about the solution proposed by the relevant authorities and its future direction.

To ignore these questions may impose by far heavier expenses on the national economy. At first, it seemed that the government task force policy, for the reasons mentioned, was provisional and aimed to overcome a so-called security issue. But with regard to the subsequent positions adopted by the government officials, the assumption has been created that this scheme was not in fact temporary and merely security-oriented but constitutes the government’s foreign exchange policy for the years to come. If this assumption is true, it must be seriously warned that the government has taken a wrong and dangerous course that is reminiscent of the ‘coupon-based economy’ of the 1980s.

The most important point here is perhaps the emphasis on not recognizing any rate other than the one announced by the government. This is a declaration of war on the laws of economics. Recognizing or not recognition of the government would have no effect on the functions of the laws of economics. The same applies to the law of gravity which cannot prevent harm to someone who wants to fly by jumping out of his high rise apartment window. As long as there is a higher demand for foreign exchange than the government’s declared official rate, and as long as the government fails or does not want to respond to this demand, the unofficial market will ineviably be there. The fact is that the government will not be able to solve the problem by erasing the problem itself.

The competent authorities can temporarily shut down any market in an emergency state in order to restore calm but they cannot impose their will on the people. The government’s declared official rate, and the fact is that the government will not be able to solve the problem by erasing the problem itself.

In any case, the wrong direction the authorities have taken about foreign exchange policy will not yield any result other than what the enemies of the government desire. This policy would be no ground for turbulence in the foreign exchange market and transactions by citizens thereby reducing the risk of trading in this market, so that additional and unforeseen costs are not imposed on the applicants. Then, the government should apply the only appropriate solution, namely unification of the foreign exchange rate within the shortest possible time to prevent corruption and waste of resources.
In Kenya, people can pay their taxes on their mobile phones. In India, they receive subsidies and welfare payments directly into their bank accounts, which are linked to unique biometric identifiers. In several advanced and emerging market economies, tax authorities collect information on sales and wages in real time, which gives them immediate insight into the state of the economy. Public finance, like so much else, is undergoing a digital revolution.

Public Finance Goes Digital

Digitalization is starting to reshape this informational core of the way tax and spending policies are designed and carried out.

Data on individual taxpayers can now be aggregated in powerful ways. In the United Kingdom, HM Revenue and Customs’ Connect computer system draws on a wide range of government and corporate sources, as well as individual digital footprints, to build a profile of taxpayers’ total income, which can then be used to assess the accuracy of the information they report. Such increased data processing capabilities can also be used to improve revenue forecasts. And with increased capacity to store and analyze data, governments can exploit the correlation of tax receipts with the business cycle to anticipate, and perhaps forestall, an economic crisis or monitor their cash balances to assess liquidity and borrowing needs.

The growth of the peer-to-peer business model, which allows buyers and sellers to transact across a digital platform, is also offering new opportunities to improve tax collection. In Estonia, Uber Technologies can report income earned by drivers directly to the coun-

By: Sanjeev Gupta, Michael Keen, Alpa Shah, and Geneviève Verdier

Rich Troves of Information

Through digital systems, standardized reporting formats, and electronic interfaces, tax authorities are better able to access the rich troves of information collected by the private sector on such things as bank transactions and interest income. Authorities in Australia and the United Kingdom, for example, receive real-time data on wages paid by employers. In Brazil and Russia, electronic invoicing systems allow immediate access to data on firm sales.

Better data collection, combined with increased processing power, allows governments to improve existing ways of collecting taxes. Electronic filing makes it easier and cheaper for taxpayers to fill out tax returns and for governments to process them. Access to third-party information is now so complete that a small but growing number of tax authorities prepopulate tax returns, so that taxpayers need only verify the information presented to them.

In Brazil, the Public System of Digital Bookkeeping allows authorities to determine a company’s income tax obligation. China uses invoice-matching technology to verify that merchants seeking value-added tax (VAT) refunds were in fact charged the tax, a large step toward solving a problem that has long stymied tax collectors around the world.

Digital Footprints

Data on individual taxpayers can now be aggregated in powerful ways. In the United Kingdom, HM Revenue and Customs’ Connect computer system draws on a wide range of government and corporate sources, as well as individual digital footprints, to build a profile of taxpayers’ total income, which can then be used to assess the accuracy of the information they report. Such increased data processing capabilities can also be used to improve revenue forecasts. And with increased capacity to store and analyze data, governments can exploit the correlation of tax receipts with the business cycle to anticipate, and perhaps forestall, an economic crisis or monitor their cash balances to assess liquidity and borrowing needs.

The growth of the peer-to-peer business model, which allows buyers and sellers to transact across a digital platform, is also offering new opportunities to improve tax collection. In Estonia, Uber Technologies can report income earned by drivers directly to the coun-

Global Economy
try’s tax administration. Peer-to-peer platforms can also act as custodians; an example is Airbnb, which withholds hotel taxes on behalf of the property owners who use the platform in 10 advanced and emerging market economies.

Digital technologies, including electronic payment systems, are not only lowering the cost of collecting taxes but also creating the potential for expanding tax bases (for instance, by improving the identification and monitoring of taxpayers and making it easier for taxpayers to comply by such means as the use of mobile technology). They are also improving the delivery of social welfare payments. Digitalizing payments has significantly reduced the cost of administering programs such as Ta Manman Cheri in Haiti, which helps mothers support their families, and 4Ps in the Philippines, which provides cash grants to the poorest families.

**Biometrics**

India has led the way in the use of biometric technology to extend social benefits to a larger number of people. Technology that monitors and records biometric characteristics, such as fingerprints and iris scans, allows more accurate and cheaper authentication of an individual’s identity, ensuring that benefits reach only the intended recipients. McKinsey & Company has estimated that digitizing government payment processes (both revenue and expenditures) could deliver savings of at least 1 percent of GDP in developing economies. This estimate overlooks second-round beneficial effects of improvements in public service delivery and widening the tax base. For example, the introduction of the new tax on goods and services in India has increased the number of registered taxpayers by 50 percent in less than one year.

Developing economies are also starting to tap the vast potential offered by mobile technology. In sub-Saharan Africa alone, there were 420 million unique mobile subscribers in 2016, a number that is expected to increase to 535 million (roughly one subscriber for every two people), according to Groupe Speciale Mobile Association, an international trade organization. It has been a pioneer in the adoption of mobile payments technology. Its M-Pesa system, launched in 2007, can be used to pay taxes. Such solutions may be particularly promising for fragile states, where conflict and corruption hamper tax collection and benefit payments. Mobile technology can also be used to deliver better public services, track medical records, and disseminate information.

The use of biometric authentication and digital payment systems to better target subsidies may reduce reliance on blunt redistributive instruments. One example is the application of reduced VAT rates for necessities, which, while aimed at the poor, benefits the wealthy even more. Better-targeted payments that can reliably provide relief to the poorest would be more efficient and effective. More controversially, technology has the potential to completely remove taxes. Many companies, such as Facebook and Alphabet’s Google, now collect hugely valuable information on their customers when they interact with them online. If it’s true, as some say, that “data is the new oil,” do we need a special regime to tax it, as we would a natural resource?

**Secure Storage**

Secure storage of sensitive data is another crucial area for fiscal authorities in developing and advanced economies alike. This is where blockchain, or distributed ledger technology, holds considerable promise. Blockchain increases trust in transaction systems by putting data into shared, distributed ledgers in a way that creates permanent records of transactions that cannot be lost, altered, or stolen. In the United Kingdom, the Department of Work and Pensions is experimenting with the use of blockchain to record benefit payments and reduce overpayment of claims. While digital technology can be harnessed to improve existing tax systems, it also offers tools for devising new ones. One example: current income tax systems arbitrarily use a one-year period as the basis for assessment. But this is too short a time horizon, because people’s well-being depends on their income over a much longer period—in principle their entire lifetime. It is also too short a horizon for tailoring benefits to immediate needs. Technology could enable collection of taxes and delivery of benefits over more appropriate time spans.

Big data too could be used to assess risks of noncompliance and predict the behavioral impact of new tax and spending policies. Widespread use of blockchain technology could in principle obviate the need for a VAT, which is charged at every stage of production, with businesses allowed an offset for taxes paid on inputs. An entire chain of transactions, securely recorded (a very big “T”), could allow a tax account to be maintained continuously at each stage of production. The tax could then simply be calculated and imposed at the point of final consumption.

**Limits and Pitfalls**

Of course, there are limits to the benefits of digital technology. It is no substitute for the basics of getting procedures and operations right. Prepopulating tax returns with erroneous information, for example, could encourage cheating because taxpayers have little incentive to correct mistakes that reduce their tax bill. Political, institutional, and human capacity constraints may hinder government innovation and uptake of advanced solutions. Corrupt bureaucrats and taxpayers might bypass digital systems, and cryptocurrencies might be used to evade taxes. And for all the talk of low-income countries harnessing new technologies to overcome more advanced economies, the potential for leapfrogging will be limited if large segments of the population lack access to the digital world. The past, it is worth remembering, is littered with unsuccessful and costly IT projects.

What’s more, digital technology raises new concerns in the realms of cybersecurity, privacy, and fraud. The theft of data from US agencies such as the Internal Revenue Service and State Department have highlighted the vulnerability of government systems. Some European countries have faced multiple fraudulent VAT refund claims that are too small individually to draw attention but significant in the aggregate. We should expect the digitalization of public finance to involve an arms race of advancing technologies against measures to prevent fraud. Corrupt bureaucrats and tax officials could encourage cheating by the use of the digital methods.

**Managing Change**

But these are issues that go far beyond public finance. The digital revolution presents markets, society, and government with the challenge of adapting to continual change. For governments, both the positive and negative effects are likely to be profound. Given the speed of innovation by the private sector, the urgency of action to harness the opportunities and mitigate the risks is clear. Experience so far suggests that many benefits are within reach. To reap the full dividends of the digital revolution, countries must focus on solutions that address their most pressing priorities. Developing economies struggling to identify and help vulnerable populations may for instance benefit most from biometrics and information systems (social registries) to identify the poor. Successful programs may turn to electronic payment systems and mobile technology to reduce leakages. But all will need to take steps to avoid the pitfalls—digital exclusion, the erosion of privacy protections—that will require strong fiscal, political, and governance institutions.
Economic activities in any country without any connection with the outside world are doomed to destruction.

Dr. Mohammad Mehdi Behkish, Secretary General of the Iranian Committee of the International Chamber of Commerce (ICC) emphasizing the importance of extroversion in the economic activities of countries, states: “In recent decades, no developing country has been able to grow properly without attracting foreign investment.”

The senior economist nevertheless believes that despite the importance of exploiting foreign investment in Iran, it has practically become very difficult to absorb foreign capital in the current international context. “As long as the current insecure conditions persist, it becomes impossible to attract foreign capital up to a level that it could result in growth,” he warns. “The lack of smooth relationships with our neighbors and the countries supplying our requirements create two major problems. On the one hand, the cost of production goes up and products lose their competitive power so that the country turns to more imports, one result of which is widespread unemployment. On the other hand, corruption penetrates into each and every layer of activities and spreads all over the country like cancer.”

Behkish believes that if our foreign relations are organized, the domestic business environment too will begin to rebuild and revitalize.

In many of your analyses, you offer extroversion as an ultimate solution for the Iranian economy to come out of the status quo. Why extroversion is so important to you?

For a completely clear reason! The reason is that economic activities in any country, without having to deal with the outside world, are doomed to destruction. The Soviet Union annexed the satellite states because a country cannot meet all its needs all alone. However, although the Soviet Union brought many countries under its domain and control, it eventually disintegrated (1991) due to limited economic relations and lack of competition. Our country is no exception to the rule. We have to have smooth and continuous business relations with other countries and use our resources to provide the opportunity for development of our people and provide them with the most important need - that is, the possibility of getting an appropriate job.

In the absence of smooth trade relations with different countries, our economic life will be jeopardized. Few examples in the economic sector will shed light on the subject.

Number one requirement for a society is growth and development. We need investment in order to realize economic growth. Investments are provided through three courses: government (in the form of development budget), private sector investment, and foreign investment.

If we look at the process of growth in our neighboring countries, in some of them, all the three sources of investment have been realized, and in some of them foreign investment has become more prominent. But no developing country has achieved decent growth in recent decades without attracting foreign investment. China, South Korea, Malaysia and Turkey are good examples.

Our country too ought to take advantage of foreign investment, especially since the country’s development budget is very limited. But under the current international conditions, absorption of foreign capital has actually become very difficult. As long as the current state of insecurity persists, it will be impossible to attract foreign capital up to a level that it could result in growth.

It seems that in the past, only one aspect of extroversion which is related to imports has been heeded, but today, analyses are focused on the issue that to achieve a high and stable growth Iranian goods must be exported. Apart from this, what are the requirements for extroversion?
Investment

Apart from that, in the business sector we are in dire need of engagement in international relations. Purchase of goods from foreign markets is commonplace in international affairs, but when the risk is high costs are also rising extremely. Furthermore, when foreign banks do not maintain normal relations with our country, in addition to high costs, uncertainty is also added to the transaction process.

If, in addition to these two factors, foreign banks could pay us the oil money whenever and through whatever means they want they will impose a great deal of uncertainty and costs on our country. Even worse than that, normal procedures turn unusual and all types of corruption are generated (such as the use of exchange shops instead of banks). Under such circumstances, only individuals and organizations have the power to work who have become experts in handling unusual practices. In this way telling between good and bad and monitoring implementation of the rules and regulations make no sense. This happens under conditions that according to the international rules we are required to prove our compliance with international laws.

In the export sector, the situation becomes more complicated. Because, on the one hand, we are unable to manufacture low cost and high quality competitive goods; on the other hand access to export markets is very costly or impossible. For the same reason, many domestic producers have to export their goods to a third-party market, replace package tags to the target market under the name of another country. It is a commodity with whose status we cannot open LCs to provide the necessary guarantees. If we measure the risks of such units, we would definitely advise them not to do the business; or the risk is so high that would make any purchases uneconomical.

Our economy has survived under these conditions in the hope that the sanctions will be lifted. Ever since we signed the Joint Comprehensive Plan of Action (better known as Iran Nuclear Deal), all the hopes were that our (foreign) trade ties would be normalized but these expectations have not been realized.

Who prevented realization of these hopes and expectations? Looking for someone to blame will not solve any problem, but we know that the continuation of these conditions will not bring us growth and development. Instead, the army of the jobless will become bigger and bigger each and every day. It seems that before discussing economic practices, it is better to focus on how we can change our foreign relations. As long as we fail to change international relations in line with our trade and industrial needs there would be no boom in businesses and production and trade will become more restricted every day.

The potential danger of public protests threatens the stability of the country. In a study conducted by a government research institute, significant results have been obtained. Many may be convinced that the recent protests were motivated by poverty and inequality, while according to the research conducted by the state-owned agency, the main reason for the protests was the unemployment of educated youth. Educated young people who sell the carpet under the feet of their aircraft are the engine of the country, but we have no control over the use of the money on their education. Even when the country manages to procure their needed machinery and raw materials from other markets. Even when the domestic product is available, some prefer to buy from another place to increase competition. In addition, small and medium-sized enterprises do not just buy in cash but most of them use a kind of financing.

Now Iranian firms cannot make easy purchases from abroad because dozens of types of controls (for example dual use) are applied and they practically cannot use any type of financing. Worse, they cannot open LCs to provide the necessary guarantees. If we measure the risks of such units, we would definitely advise them not to do the business; or the risk is so high that would make any purchases uneconomical.

Our economy has survived under these conditions in the hope that the sanctions will be lifted. Ever since we signed the Joint Comprehensive Plan of Action (better known as Iran Nuclear Deal), all the hopes were that our (foreign) trade ties would be normalized but these expectations have not been realized.

The problem is very simple. We need high and sustainable economic growth to cut unemployment. Sustained economic growth also requires capital. A significant portion of this capital must be supplied from abroad, and we need to have good relationship with the world in order to attract this capital.

A few years ago in an article I emphasized that the strategic advantage of our country is trade, and therefore Iranian banks are more known to be good businessmen than artisans. Therefore, if we want to use the country’s strategic position for greater prosperity, we should expand the flow of goods from the country, which requires development of ports, roads and equipment that make transit easy and feasible. Development of transit requires confidence building with our neighbors. This trust is shaky for the time being. The power of diplomacy in the future will prove to what extent it can meet the need for community development.

What types are the current obstacles in the way of domestic and foreign investment in the Iranian economy? Are they more of political nature or structural?

Usually capital will flow into a place where security is maintained in the first place. In the second place, investors would rather get involved in activities that are profitable. The type of our relationship with foreign countries and big political entities cannot be profitable unless they use rent.

I am convinced that if our foreign relations are organized, the domestic business environment too will begin to rebuild and reinvigorate.
A false idea about the value of the national currency is created when we consider the price of the US dollar not the effect of depreciation of the national currency but its cause. Based on this false assumption, it is thought that if we lower the price of the dollar by injecting petrodollars into the market we will increase the value of the national currency. We may thus be able to maintain and even reduce the price of the dollar for a while, but due to the increase in domestic inflation compared to global inflation, the real value of the national currency will decline, and what is important is the true value of the national currency, not the price of the dollar to rial.

When domestic inflation is higher than foreign inflation and the real value of the national currency goes down, if the authorities, based on the above-mentioned false assumption about the national currency prevent the price of foreign currencies from going up by injecting petrodollars into the market, the national economy would face a number of terrible consequences.

When domestic inflation is higher than foreign inflation, by fixing the foreign exchange rate a basket of goods purchased in dollars from abroad and converted into local currency at fixed foreign exchange rate its local currency rate will be less than the same basket of goods inside the country. Thus domestic production is reduced or shut down (such as footwear and domestic clothing), and the domestic market is put at the disposal of foreign products. Imports would happen from any channels. One is the official channel of IRICA and the other is the smuggling channel. Part of the foreign currency that is supplied to the market to control the dollar price will provide the necessary hard currency to buy foreign goods and smuggle them into the country. Another part of the foreign currency injected into the market is purchased by travelers and tourists from Iran for tourism and leisure travels abroad. Some foreign trips may be cheaper than domestic journeys when the foreign currency is kept at fixed price for a long time and domestic inflation is higher than foreign inflation in that period.

On the other hand, when the price of domestic product is converted into rial or dollar (at cheap currency rate), the dollar price of the domestic product will be higher than the price of the same goods produced abroad. Consequently, Iranian goods in foreign markets cannot compete with foreign commodities price wise and this leads to decreasing exports. When domestic exports are not feasible and imported goods are smuggled or supplied through official channels cheaper than domestic manufactured goods, domestic plants are half-closed or shut down. When existing factories are half-closed or closed, there is no reason for investment to develop existing capacities and investment will decline. With the closure of factories and the decline in investment, the economy will face recession and unemployment will rise.

Moreover, when the price of the hard currency is kept lower than its real price with the injection of petrodollars into the market, some people are encouraged to buy hard currency and send it abroad. By purchasing cheap foreign currency, they convert part of their assets in Iran into more valuable assets abroad. In fact, the injection of foreign exchange dollars to the market maintains the price of foreign exchange and smuggling of foreign goods into the country and cripples domestic production.

The realities cannot be ignored by the wrong policies that are aimed at fixing the exchange rate for a while.

The injection of petrodollars into the market facilitates the flight of capital from the country. As a result, a misconception of the value of the national currency and attempting to fix its price at a time that, due to an increase in domestic inflation compared to foreign inflation rate its price should increase, creates a lot of catastrophes for the national economy some of which are as follows:

• Supply of hard currency used by smugglers through injection of petrodollars into the market
• Decline in investment in industries that are closed or semi-closed
• Escalation of the economic recession by reducing investment and closure of factories
Dr. Asghar Fakhriyeh Kashan says: “From the very beginning after the (1979) revolution, our government has failed to formulate a program to manage its resources. Investing requires management of financial resources. Rare resources of the country should be distributed and prioritized towards development. But has this been the case? Definitely not! We wasted the resources.

I ask him whether the government will be financially capable of investing towards economic growth and whether it would be able to raise development investment to at least the level of the 1980s. Fakhriyeh Kashan does not provide me with an explicit negative answer to this question but says the advanced disease of the Iranian economy would not be cured by taking aspirins and that it requires surgery. He speaks of dispersed economic islands in Iran, and the funds that are wasted between these islands and in the absence of a development program. He cites numerous examples that show our main problem in the economy is not lack of investment. But the problem is that the funds are wasted. He says we do not invest in Iran. We just divide up the donations.

How do you think the government can create economic growth?

There is no doubt that economic growth requires investment. But investing requires factors that we have not been able to provide and, at the same time, expect to attract capital. Investment requires a well-documented economic program: A plan that would give the people the signal as to where the economy is set to go in the next few years so that people and the private sector can safely and securely invest in long-term projects. But there is no such program in our country. Our economy has no stability and security. The same insecurity does not give a good signal to the people and the private sector, and everyone is trying to invest in markets that would give them the highest profits in the shortest time. The result is a wandering of the capital. The people would hastily invest in the foreign currency and gold market one day and in housing another day. They would make advance purchase of mobile sets one day and buy gold coins another day. These are all due to the lack of a principled development plan. In the absence of this plan, short-term investments will be economical and the economic signs direct investors towards short-term investment. We have had five development plans so far but I can confidently say that none of them has been a development plan. Security is the second requirement of investment.

When the private sector does not enter long-term investment, all the investment load will be put on the public sector’s shoulders. Today also, the government is incapable of continuing to invest in the economy with this heavy body and lack of capital. Today the hands of the government are empty and it does not have the funds to make investment. But that has not been the case always. Even when we had the capital we could not use it appropriately. Since the beginning of the revolution, our government has not had a plan to manage its resources. Investing requires management of financial resources. Rare resources of the country should be distributed and prioritized in a way to be in line with development.

But has this been the case? Definitely
When the private sector does not enter long-term investment, all the investment load will be put on the public sector’s shoulders.

You know where the problem is and you have the solution as well. There are many others like you: People who both recognize the disease and have the treatment prescription. But why all these potential solutions will this island outlook and complaint about weak management come to an end?

Look! If we want to really examine the roots, I would say that’s not an economic problem. The problem is cultural. I have been emphasizing from the outset that it is true that our resources are limited, but we waste even these limited resources. We have not been able to convince the private sector to make investment. Its root cause is not just economic. The problem is our educational system and our Eastern culture of planning, and in this planning everyone has an island type function. So, we do not have the culture of planning, and in this planning everyone has an island type function. Development, and hence investment, requires a single economic rule. There is no single economic sovereignty in our country.

Because it is in the united sovereignty that resources can be consumed correctly. When the sovereignty is not united, every state would allocate resources based on their priorities. I’m 100% opposed to putting the revenues of companies at their disposal. This is the root cause of corruption and part of the cause of our backwardness. The government spends billions of dollars on operation of a sector over the years, and then gives the income to the companies. So, when the return on investment will go to the government so that it could use it for re-investment? I emphasize that we lack the science of planning. We do not invest, we divide up the donations. We use the government resources in the worst possible way. It’s a tradition to increase the costs of government agencies by 10% every year? When will a rise in efficiency, cost reduction and cut in human resources occur? Where do increased productivity, growing domestic output and investment stand in the formula?

What should the government do now to invest and achieve growth?

The answer is very clear. We have to do surgical operation on the economy. I say this very firmly. A person who has cancer cannot be cured by taking aspirins. Surgical operation will be necessary. This is what other countries did. I am not talking about economic surgery in developed countries. I am citing Iraq and Algeria as examples. In Iraq, when oil revenue declined, the projects were divided into three categories: Projects the government accepted the responsibility to complete; projects the private sector could carry out with its own capital; and those projects that should be shut down altogether. Algeria did the same when oil prices dropped. We do not want to face the reality. Apparently we are idealist and greedy people. We want to advance all the projects together and invest everywhere. But we are unable to do that.

Cover Story

Banking

Continued from page 37

domestic factories resulting in rising unemployment.

- Increasing travel of Iranian tourists abroad due to cheaper foreign tourism services at cheap foreign currency compared to similar services in the country.

- To boost foreign companies in countries that trade with Iran, such as Turkey, China and Europe, at the cost of shutting down domestic factories and rendering Iranian workers jobless.

- A reduction in the capital of the country in exchange.

In addition to the aforementioned disasters, with the closure or reduction of domestic production, more hard currency will be needed each day to import and supply the country with goods and services. Of course, since the supply of hard currency is not possible anymore, the shortage of foreign exchange reserves will eventually trigger a price hike of the foreign exchange. The country has experienced foreign currency price jumps several times. But what is a matter of more regret is that time and again the same misconception about the strength of the national currency is repeated and the policy of maintaining the power of the national currency (meaning maintaining the price of the dollar), and its destructive consequences, will again affect the country.

What is more regrettable again is the plight of policymakers and authorities in order to stabilize the exchange rate. Everyone is on the wrong track and trying.

The misconception of the power of national currency is so embedded in the minds of some officials and decision-makers that the nation has to bear huge costs in order to eradicate that notion and reform the mindset of the decision-makers. Many producers go bankrupt, many families are afflicted with poverty, many young people get depressed under the pressure of unemployment and waste a lifetime in the hope that God will help change this wrong mentality about the power of national currency based on the price of the US dollar and by injecting petrodollars into the market and providing the necessary hard currency. The sooner that false idea is corrected the less the nation will suffer.

When the power of the national currency goes down in the market and as a result of macroeconomic mismanagement, we should let this depreciation get reflected in the price of foreign exchange, in order to avoid the above-mentioned disasters. The realities cannot be ignored by the wrong policies that are aimed at fixing the exchange rate for a while. It is only possible to hide the reality from ourselves which again is not rational. The exchange rate should change according to the difference in domestic and foreign inflation, in order to stabilize the exchange rate. Every day the flight of capital, is the currency used for smuggled goods, as well as the flight of capital, is the currency that non-oil exporters sell to dealers at a slightly higher price than domestic ones.

Maintaining the value of the national currency, which is a sign of good macroeconomic management of the country, is an important debate. Decision-makers are unwittingly trying to destroy the national economy and help economic development of other countries because of sticking to that false mentality. The sooner that false idea is corrected the less the nation will suffer.

To boost foreign companies in countries that trade with Iran, such as Turkey, China and Europe, at the cost of shutting down domestic factories and rendering Iranian workers jobless.

Advertise in Iran International

through the banking system to the seller. In fact, one of the sources of foreign currency used for smuggled goods, as well as the flight of capital, is the currency that non-oil exporters sell to dealers at a slightly higher price than domestic ones.

Maintaining the value of the national currency, which is a sign of good macroeconomic management of the country, is an important debate. Decision-makers are unwittingly trying to destroy the national economy and help economic development of other countries because of sticking to that false mentality. The sooner that false idea is corrected the less the nation will suffer.

To boost foreign companies in countries that trade with Iran, such as Turkey, China and Europe, at the cost of shutting down domestic factories and rendering Iranian workers jobless.

Advertise in Iran International

through the banking system to the seller. In fact, one of the sources of foreign currency used for smuggled goods, as well as the flight of capital, is the currency that non-oil exporters sell to dealers at a slightly higher price than domestic ones.

Maintaining the value of the national currency, which is a sign of good macroeconomic management of the country, is an important debate. Decision-makers are unwittingly trying to destroy the national economy and help economic development of other countries because of sticking to that false mentality. The sooner that false idea is corrected the less the nation will suffer.

To boost foreign companies in countries that trade with Iran, such as Turkey, China and Europe, at the cost of shutting down domestic factories and rendering Iranian workers jobless.

Advertise in Iran International

through the banking system to the seller. In fact, one of the sources of foreign currency used for smuggled goods, as well as the flight of capital, is the currency that non-oil exporters sell to dealers at a slightly higher price than domestic ones.

Maintaining the value of the national currency, which is a sign of good macroeconomic management of the country, is an important debate. Decision-makers are unwittingly trying to destroy the national economy and help economic development of other countries because of sticking to that false mentality. The sooner that false idea is corrected the less the nation will suffer.

To boost foreign companies in countries that trade with Iran, such as Turkey, China and Europe, at the cost of shutting down domestic factories and rendering Iranian workers jobless.

Advertise in Iran International
A decade after the global financial crisis began, the landscape of global finance is much altered. Gross cross-border capital flows (foreign direct investment, purchases of bonds and equities, and lending and other investments) have fallen substantially since the precrisis era and, relative to world GDP, are back to the level of the late 1990s. While all types of capital flows have shrunk, cross-border lending accounts for more than half of the overall decline. This phenomenon reflects a broad retreat from overseas business and a shift away from cross-border wholesale funding by major European and some US banks.

By: Susan Lund and Philipp Härlé

Does this mean that financial globalization has lurched into reverse gear? Our new research finds the answer is no. The global financial system remains deeply interconnected when measured by the stock of foreign investment assets and liabilities. What is emerging from the rubble appears to be a more risk-sensitive, rational, and potentially more stable and resilient version of global financial integration—an ultimately beneficial outcome.

Shift in the landscape

Before the crisis, many of the largest European, UK, and US banks launched bold global expansions, pursuing every avenue for international growth. They built banking businesses for retail and corporate customers in new regions, amassed large portfolios of foreign assets, such as subprime mortgage securitizations and commercial real estate, and increasingly relied on short-term cross-border interbank funding.

But horns are now drawn in and capital is being conserved. Risk is out, and conservative banking—even “boring” banking, as former Bank of England Governor Mervyn King put it—is in. The largest Swiss, UK, and some US banks have all been part of the broad retreat, but nowhere has the reversal been more dramatic than among euro area banks.

After the introduction of the euro on January 1, 1999, euro area banks expanded beyond their national borders into all corners of the single currency area. Given the common currency and a largely common rule book, country risk was downplayed or ignored. The stock of their foreign claims (including loans by their foreign subsidiaries) grew from $4.3 trillion in 2000 to $15.9 trillion in 2007. Most of that growth came from lending and purchases of other foreign assets within the euro area. But also important were the growing financial ties—and particularly interbank markets—linking banks in the euro area, London, and the United States.

But much of the banks’ foreign expansion was based on misjudged risks or misguided strategies that came back to bite them. Some European banks bought AAA-rated tranches of US subprime mortgage-backed securities that subsequently produced large losses. Dutch, French, and German banks became directly and indirectly involved in the Spanish real estate bubble and suffered when it burst. Austrian banks expanded far into eastern Europe and even central Asia but have since retrenched, and Italian banks were heavily exposed in Turkey, where risk-adjusted margins proved lower than expected. There was an element of herd behavior: seeing some major global banks have sold off some foreign businesses, exited some foreign markets altogether, or simply allowed maturing loans to expire.

Major global banks have aggressively expanding abroad in pursuit of high-margin business, many others followed suit. Since the crisis, that trend has reversed: Foreign claims of euro area banks have slumped by $7.3 trillion, or 45 percent (although they are still substantially higher than they were when the single currency was introduced). Nearly half these claims have been on other borrowers in the euro area, particularly other banks. The perception that lending anywhere within the common currency area was quasi-domestic—and therefore low risk—proved illusory. Claims between euro area banks and those in the United Kingdom and the United States have sim-
remains to be seen whether this expansion will prove to be profitable or sustainable. The four large Canadian banks now have half of their assets outside of Canada, mainly in the United States; Japanese banks have also expanded abroad. The so-called Big Four Chinese banks have rapidly expanded foreign lending, largely to finance Chinese companies’ outward foreign direct investment.

More stability ahead

We should not mourn the realignment of cross-border banking. The frothy pinnacle of global capital flows in the years leading to the crisis is not an appropriate benchmark against which to judge the state of financial globalization.

There is no consensus on the optimal level of capital flows, but today there is scant evidence of a shortage of capital flowing to either developing or advanced economies.

Rather than signaling an end to financial globalization, recent developments point to the emergence of a more stable and resilient version. Financial markets around the world remain deeply interconnected. Although annual flows of new capital have diminished significantly, the stock of global foreign direct investment, portfolio equities, and portfolio bonds has continued to grow since the crisis, albeit much more slowly than in the years that preceded it. Globally, 27 percent of equities around the world are owned by foreign investors, compared with 17 percent in 2000. In global bond markets, 31 percent of bonds were owned by a foreign investor in 2016, compared with 18 percent in 2000. Lending and other investment are the only component of the stock of foreign investment assets and liabilities that has declined since the crisis.

There are three reasons why the future of financial globalization may potentially be more stable than the past, at least for the medium term.

First, the mix of cross-border capital flows has changed quite significantly, and in ways that should promote stability. Since the crisis, foreign direct investment has accounted for 54 percent of cross-border capital flows, up from 26 percent before 2007. Given the new realities of bank regulation and shareholder scrutiny, it is unlikely that the volume of cross-border lending will return to precrisis levels anytime soon. This shift toward foreign direct investment will promote stability in cross-border financial flows. Because foreign direct investment reflects companies’ long-term strategies regarding their global footprint, it is by far the least volatile type of capital flow.

Portfolio purchases of equities and bonds are also less volatile than cross-border lending, and these have comprised over 40 percent of total capital flows since the crisis. Cross-border lending, and particularly short-term lending, is by far the most volatile type of capital flow; its retreat should be welcomed.

The second potential source of greater stability in financial globalization is the steady growth of migrants’ remittances to their home countries. These flows are even more stable than foreign direct investment and have grown thanks to a rise in global migration. Remittances are not counted as a capital flow in the national balance of payments, and traditionally they were quite small. But today they are a substantial source of finance for developing economies. By 2016, remittances to these economies totaled almost $480 billion, compared with just $82 billion in 2000 and $275 billion in 2007. They now equal 60 percent of private capital flows (foreign direct investment, portfolio equity and debt flows, and cross-border lending) and are three times the size of official development assistance. It seems likely that remittances will continue to grow as global migration continues to rise and technologies such as blockchain and mobile payments make them easier and cheaper to send.

A third potential source of greater stability in global finance is the ebbing of the global savings glut that arose prior to the crisis. Global imbalances in financial and capital accounts shrank from 2.5 percent of world GDP in 2007 to 1.7 percent in 2016. This lowers the risk that a sudden unwinding of these imbalances could create exchange rate volatility and balance of payments crises in some countries. Moreover, today the deficits and surpluses are spread over a larger number of countries, and the large imbalances in China and the United States have subsided.

There is debate today among economists about whether the smaller global imbalances are likely to persist.

No room for complacency

None of these developments is an invitation to complacency. Gross capital flows remain volatile, potentially creating large fluctuations in exchange rates for developing economies. A tightly interwoven global financial system inexorably comes with a risk of crises and contagion. And asset bubbles and crashes are as old as markets themselves.

If we have learned anything from the past, it is that stability is hard-won and all too easily lost. Just as we are beginning to discern new patterns in global financial integration after the wrenching change of the past 10 years, a new—and game-changing—dispersion is coming in the form of digitalized finance. Increasingly widespread use of new financial technologies, such as digital platforms, blockchain, and machine learning, will likely broaden participation in cross-border finance and accelerate capital flows. There will be huge opportunities, but also intense competition. None of us yet knows what new risks may arise as a result of even quicker flows of capital around the globe, but vigilance and a keen eye for the next threat to stability will be vital.
A Hard Year for Banking!

S

o

A

Dr. Parviz Azghadi Kermani, Economist

Banking

sometimes it seems that some of the events that take place in Iran are aimed at preventing reforms. Of course, I suspect that many of these actions are taken not out of ill intentions but due to ignorance. For example, when a country is faced with recession, the governments often try to pursue different monetary policies such as borrowing to generate employment and economic growth. Under the 10th and 11th governments, we observed a sharp drop in oil prices. In such a situation, the government in order to meet the current budget such as salaries and subsidies has on the one hand cut the already tiny development budget and on the other hand increased the taxes. In other words, in addition to the government, private sector companies too have been crippled. It is because the authorities check the companies’ 10-year record for tax collection in order to provide liquidity. In this way, the companies that had managed to continue to operate under recession are faced with unreasonable or unexpected taxes.

It can be concluded that the cause of disappearance of job opportunities and unemployment has been the government’s wrong decisions. This is while when other countries face financial crisis and recession, they act opposite the way Iran does. It should be noted that the world is moving towards tax cuts, because these are the companies that create employment, and therefore the tax should be taken from individuals. For example, those who receive high salaries and high dividends should pay taxes. In this way, companies that create employment, and the government should not take that money to meet current expenses. Otherwise, economic growth will fall markedly.

On the other hand, Iran’s banking system has numerous problems. Countries facing similar problems revised their banking structure. But in Iran, a wrong policy is being exercised to keep the price of hard currencies lower than what it is. This policy entails many other problems. In this regard, the Central Bank of Iran (CBI) tried to reform the banking system and somewhat stabilized the interest rate on deposits and loans. Although rating is wrong policy as a whole, banks were gradually accustomed to the new situation, and some of them were catching up. But it was decided overnight to raise the bank deposit interest rates; now, the interest received for loans is less than the interest paid on deposits, as a result of which many banks are facing difficulties.

Iran must accept this fact and work on plans to achieve an oil-free economy. Turkey could serve as a good lesson. In the early years of 1980s, some countries, including Turkey, were almost bankrupt due to rising oil prices. At that time, Turkey’s official currency worth of 30 to 35 liras to one US dollar reached 1.5 million liras against the dollar. The total foreign exchange earnings of the country amounted to $7 billion in 1982, which came from tourism, transfer of Turkish workers income in Europe, and industrial exports. Turkey today has an estimated $180 billion in foreign exchange earnings roughly five times that of Iran’s oil revenues. Most of this amount comes from non-oil exports. We too have no choice but to expand the industrial sector. Iran is not comparable with Arab oil exporting countries because it has a population of more than 80 million people. It is necessary to create jobs in proportion to this population. The government should allow the hard currency find its true value and thus encourage exports. In my opinion, the government should give realistic and practical slogans; for example, emphasis is placed on the issue of single-rate foreign currency that the banking system and other economic pillars to be in better shape in five years; the private sector would grow in five years and the capital market would be dynamic... And one way to achieve such goals is to have a broad and effective loan market so that companies would not rely solely on the banks to provide liquidity.

We need to look at things more realistically. For many years, our country has been run by the oil money but it is approaching the end of the road. Nearly two-thirds of the world’s oil is now used to consume fuel for cars and vehicles. Because of the pollution caused by fossil fuels, the world moves towards elimination of these types of vehicles. For example, China has announced that in 2025, petrol-operated cars would not be allowed to travel in some large cities. If such programs continue, oil consumption will decline and we cannot count on the sales of 2-3 million barrels per day for future deliveries. Extending the use of electric cars and fuel supply from clean and renewable energies will reduce oil revenues.

On the other hand, Iran’s banking system has numerous problems. The government should not take that money to meet current expenses. Otherwise, economic growth will fall markedly.

On the other hand, Iran’s banking system has numerous problems. Countries facing similar problems revised their banking structure. But in Iran, a wrong policy is being exercised to keep the price of hard currencies lower than what it is. This policy entails many other problems. In this regard, the Central Bank of Iran (CBI) tried to reform the banking system and somewhat stabilized the interest rate on deposits and loans. Although rating is wrong policy as a whole, banks were gradually accustomed to the new situation, and some of them were catching up. But it was decided overnight to raise the bank deposit interest rates; now, the interest received for loans is less than the interest paid on deposits, as a result of which many banks are facing difficulties.

Iran must accept this fact and work on plans to achieve an oil-free economy. Turkey could serve as a good lesson. In the early years of 1980s, some countries, including Turkey, were almost bankrupt due to rising oil prices. At that time, Turkey’s official currency worth of 30 to 35 liras to one US dollar reached 1.5 million liras against the dollar. The total foreign exchange earnings of the country amounted to $7 billion in 1982, which came from tourism, transfer of Turkish workers income in Europe, and industrial exports. Turkey today has an estimated $180 billion in foreign exchange earnings roughly five times that of Iran’s oil revenues. Most of this amount comes from non-oil exports. We too have no choice but to expand the industrial sector. Iran is not comparable with Arab oil exporting countries because it has a population of more than 80 million people. It is necessary to create jobs in proportion to this population. The government should allow the hard currency find its true value and thus encourage exports. In my opinion, the government should give realistic and practical slogans; for example, emphasis is placed on the issue of single-rate foreign currency that
Iran needs about $15 to $20 billion for importing essential goods such as wheat, maize, animal feed, medicine and raw materials for industrial and agricultural production.

The CBI too must monitor this market. If the price of a hard currency goes up without justification, the bank could supply some foreign exchange into the market without announcing the timing of the action in advance.

In this case, those who have increased the price of the hard currencies through speculation will lose. Those who are involved in this business will gradually find out that they should not increase the price of the standard frameworks. The policy of dual foreign exchange rates should continue until the time security is created in basic commodity market.

Anyone who wants to buy a luxury car or wants to take a recreational journey abroad must pay the price of the foreign currency at market value. Under such conditions, people should not receive subsidized foreign exchange. We could go after unification of foreign exchange rate when the conditions of the economy improves and non-oil exports reach a rate when the conditions of the economy and demand rates in issues such as exchange rates or bank interests can be achieved. That is why the government of the next government can best serve the economy?

There are no fundamental conditions for the application of this policy in the country. The country is now under international pressure and cannot apply free economy policies. While I believe 100% in free economy and execution of supply and demand rates in issues such as exchange rates or bank interests, target setting should also take place in these cases.

Iran needs about $15 to $20 billion for importing essential goods such as wheat, maize, animal feed, medicine and raw materials for industrial and agricultural production. The CBI can meet the demand for these commodities at a rate of about $35,000 to 40,000 rials (for one US dollar). The remaining oil revenues amounting to about $20 billion should be made available to the CBI and add to the foreign exchange reserves of the country. On the other hand, an organized foreign exchange market should be launched in the Stock Exchange for example so that exporters and importers of other commodities could trade the hard currency they earn from exports and the currency needed for imports at real prices and according to the supply and demand trends in this market. The CBI too must monitor this market. If the price of a hard currency goes up without justification, the bank could supply some foreign exchange into the market without announcing the timing of the action in advance.

In this case, those who have increased the price of the hard currencies through speculation will lose. Those who are involved in this business will gradually find out that they should not increase the price of the standard frameworks. The policy of dual foreign exchange rates should continue until the time security is created in basic commodity market.

Anyone who wants to buy a luxury car or wants to take a recreational journey abroad must pay the price of the foreign currency at market value. Under such conditions, people should not receive subsidized foreign exchange. We could go after unification of foreign exchange rate when the conditions of the economy improves and non-oil exports reach a rate when the conditions of the economy and demand rates in issues such as exchange rates or bank interests can be achieved. That is why the government of the next government can best serve the economy?

There are no fundamental conditions for the application of this policy in the country. The country is now under international pressure and cannot apply free economy policies. While I believe 100% in free economy and execution of supply and demand rates in issues such as exchange rates or bank interests, target setting should also take place in these cases.

Iran needs about $15 to $20 billion for importing essential goods such as wheat, maize, animal feed, medicine and raw materials for industrial and agricultural production.
The results of a credible scientific study show that continued pursuit of existing policies will cause the Iranian economy to suffer from low growth.

The study, presented by Dr. Hassan Dargahi, a member of the Economics and Political Sciences Faculty of Shahid Beheshti University, substantiates that the downward trend of long-term production, which is the result of the continuing inefficiency of the economy, indicates a gradual decrease in effective human, physical, financial and natural resources capacities in the country. Therefore, implementation of a set of corrective policies with the two goals of promoting endogeneity and developing exogeneity is imperative.

Based on this research, implementation of economic reforms under conditions that the country faces a serious problem of productivity crisis requires its own scientific principles and rules in economic management. The question, however, is why the realized policies are often different from optimal policies? Given the current political and economic climate, there is no lack in implementing economic reforms. Therefore, in order to adopt a decisive economic agenda and to place Iran on the path of development and progress, the economic decision-making system of the country should be designed for a transitional phase in a centralized manner, based on the support and trust of the establishment, so that by relying on consultation of the elite it could take effective economic decisions and powerfully monitor them.

Economic Status Quo

Associate Professor of the Economics and Political Sciences Faculty of Shahid Beheshti University, emphasizes in this research: “If the current state of affairs does not change the economy of Iran and if we assume conditions in the future where no reforms in the field of macro-economic policies have been implemented, then a picture of the economy can be imagined of the Iran economy projected for the year 1400 (2021/22), which will continue to be trapped by low growth.

By lack of reforms it is to assume conditions where the role of the banks’ debts to the Central Bank is the determinant of the monetary base. Due to the dependence of the government budget on oil revenues, the administration faces limited resources and reduces its financial balance by cutting on its expenditures (particularly development expenses).

On the other hand, the curtailment of foreign exchange earnings from non-oil exports has continued due to the declining trend of the real exchange rate, and with the assumption of a symmetrical trade balance, the volume of imports decreases. This option can be assumed as a condition of the Iranian economy in post-sanctions era, the most important feature of which is only a different image of the amount of oil production and exports compared to the past. It must be noted that the prediction of the pattern is based on the assumptions and the specified structure of the pattern, so any change in sales and structure will result in a change in projection.

Based on this research, the main exogenous variables relate to the population and the oil sector. The average annual population growth, assuming a fertility rate of 2.1, is equivalent to one percent. The age group population of men and women, which is an effective factor in estimating work force supply, has been extracted from the International Labor Organization website. The oil price (dollar per barrel for the years 1376 (1997/98) to 1400 (2021/22)) is based on the average of various international forecasts, in a gradual process of $50-60.

It is assumed that the daily production and export of oil and gas condensates will increase from about 2160 thousand barrels in 1385 (2016/17) to 2500 thousand barrels per year in 1400, respectively. It can be argued that if the bank deposit interest rates as of the current year drops to 14% by 1400, the share of the state budget, the National Development Fund and the National Oil Company from the oil revenues in 1395 would be 65.5%, 20% and 14.5% respectively, and for the years 1396 (2017/18) to 1400, it is equivalent to 55.5%, 30% and 14.5% respectively. The average official exchange rate and the open market rate in 1396 were equal to 33,000 (for one USD) and 37,500 rials respectively, and for the years 1396 (2017/18) to 1400, they would be 35,000 and 40,000 rials; the uncertain years 1397 (2018/19) to 1400 they would be 35,000 and 40,000 rials; the uncertainty in the economy would be maintained for investors and economic activists and no attempt would be made to eliminate it; the resources would be allocated in the same wrong way, and the expectations of the private sector from the government to facilitate business and invest in the necessary infrastructure would not be met.
Economy

Economy 1400 Minus Reforms

Based on the results of this reliable study, the economy coming out of these conditions by 1400 can be drawn up as follows: Production in this case would not be in good shape at all. Despite production growth and an increase in the oil exports, the situation would be very unfavorable so that the growth rate for 1396 would stand at 3.6% and an average growth of 2% would be predicted for the years 1397-1400. On the other hand, the growth of gross domestic product without oil is estimated to be 1.8 and 1.00 for 1396 and 1397-1400 respectively. Also, the study results indicate that about 200,000 jobs are expected to be created in the projected period.

The number of unemployed will rise from 3.2 million in 1395 to 4.445 million in 1400. As a result, the unemployment rate would rise from 12.4% in 1395 to 16.3% in 1400. This unsuitable condition applies to the economic sectors, so that the value added of the tradable sector would not be favorable either. In other words, the growth of this sector would be equal to -1 for 1396 and about 0.2% for 1397-1400.

In non-tradable sector too, the value added growth in 1396 would be 3.5 percent and for the period 1397-1400 it is estimated at 2.2 percent. This behavior and these conditions should be studied and scrutinized in the study of productivity of the production factors. The average productivity growth depends on numerous factors each of which can greatly affect the growth of this factor: Factors such as government expenditures, imports, bank facilities, real exchange rates, and the degree of disruption of government policies. According to the studies conducted for the projected periods, the growth of productivity in tradable sector is negative and in non-tradable sector follows a declining trend.

Economic Growth by Increasing Oil Prices and Cutting Trade Costs

Economic growth, with the assumption of increasing oil exports and reducing commercial real costs (such as transportation costs, insurance, financial and commercial transactions), could, in the circumstances cited before, secure a better situation for Iran than the recent trade cost that had been increased under the sanctions is gradually decreasing in the post-sanctions economic environment. On the other hand, the positive effect of Iran’s global interactions in this period can have a positive effect on productivity. Therefore, by adding these two effects on economic growth projected by the model the economic growth for 1396 could be estimated at about 3.6%, and the average economic growth of the next five years in the base option at about 3% annually.

Therefore, the comparison of the base option forecast with the potential growth of the Iranian economy is very important. That is to say that in the post-sanctions economic environment, even with the increase of oil exports and reduction of transaction costs, if no improvement occurs in domestic macroeconomic policies and the investment and business environment aimed at promoting endogeneity and exogeneity, the economic growth will continue to grow below its lower potential growth. This means that a downward transition in the potential growth of Iran’s economy will occur again.

Reforms and Conditions of 1400

The results of this research illustrate another situation for the Iranian economy in the calendar year 1400 (2021/22). Based on these results, if the government makes reforms in its policies and does not repeat the past trend, the economic growth rate and other indicators can have a different situation than the above stated conditions. In general, correctional conditions can be expressed in several categories:

Reforming Budget Policies

The first batch of reform policies are those directed at budget policies. The budget has two parts: Expenditures and revenues. In the income section, the government should be able to increase the share of tax revenues out of the gross domestic product by 8% to 10% by the calendar year 1400. Of course, other revenues should reach 4.5% of the GDP by the year 1400 from 3.2% in 1395. As for the expenditures, the government should increase its expenditure costs compared to the GDP from 18% to 22% by the calendar year 1400. To stabilize its budget, the government could use the share specified by Oil Stabilization Fund so that it could withdraw the deficit caused by the trade balance from the OSF. In fact, by using government facilities and leveraging these resources, the government can utilize the private sector participation in investment projects in the development sector. On the other hand, the government could grant facilities from the OSF to the private sector.

Modifying Foreign Exchange Policies

Another bureaucratic policy is the exchange rate policy. Another crucial point in the value of the exchange rate to the level of the open market rate, which means unification of the exchange rate is a very important point. That is to say that in the post-sanctions economic environment, even with the increase of oil exports and reduction of transaction costs, if no improvement occurs in domestic macroeconomic policies and the investment and business environment aimed at promoting endogeneity and exogeneity, the economic growth will continue to grow below its lower potential growth. This means that a downward transition in the potential growth of Iran’s economy will occur again.

The implementation of macroeconomic reform policies will increase economic growth by 2% per annum compared to economic growth of 3% without reforms.

Iran’s Economy in 1400 Under the Brink of Reforms

If the government implements and realizes the reforms that were mentioned above, the picture of Iran’s economic growth by 1400 will be as follows: By implementing the proposed policies since the calendar year 1396, the picture of economic growth and inflation will change compared to the option of absence reforms so that the average annual growth rate will increase to 5% from 3.5% to 13.5% in the first case. All reform policies have a positive impact on growth, but their effects on inflation are different. Therefore, the role of inflation projection is very important in terms of the proposed policies through reviewing the projection of the 5% growth of this option, the increasing role of productivity in economic growth is important for implementing corrective measures. The result is that productivity gains have largely been due to the abundance of oil resources.
Water Rights in Iran

The study of water rights in Iran is not only inconsiderable without considering the country’s legislative history in this area as well as ongoing legal and administrative developments. Therefore, this article has tried to attract the attention of readers to the importance of water rights and the need to pay heed to law specialty by briefly reviewing the legislative developments in the water industry and examining the country’s water resources problems.

In accordance with Article 44 of the Constitutional Law of the Islamic Republic of Iran, the economic system of the country is based on three sectors: state, cooperative, and private. Also, according to Article 45 of the said law wastelands and public wealth, abandoned or declared and land of deceased owners, seas, lakes, rivers, and other public bodies of water, and… are under the control of the Islamic government and it will treat them in accordance with the public interest. The first important law ratified after the victory of the Islamic Revolution in 1982 was that of fair distribution of water. According to Article 21 of this law, the allocation and authorization of exploitation of public bodies of water resources for drinking, agricultural, industrial, and other uses was the monopoly of the Ministry of Energy. According to Note 2 of this law, however, “the previous policy concerning management of cities’ water by local authorities” was approved and a new organization foresaw for it.

According to this note, distribution of urban water, administration of facilities, and collection and disposal of sewage within the city limits would be carried out by independent companies called Water and Sewage Company, or another appropriate body, in which case it would work under the supervision of a council affiliated to the Municipality.

Also, the government’s macro policy in managing water resources and related facilities and the need to prevent any damage to water facilities has required enactment of penal rules and regulations to deal with violators. Furthermore, since 1968 and simultaneously with the endorsement of Nationalization of Water Resources Act, the Water and Electricity Department was authorized to file lawsuits as the private plaintiff against violators in the country’s water resources. After the victory of the Islamic Revolution and adoption of the Islamic Penal Code, necessary provisions for prosecution and punishment of perpetrators were ratified.

In the first stage, the legislature clearly identified ownership of waters by formulat- ing and regulating regulations related to the correct use and exploitation of waters, and then codified criminal laws and regulations. The reason for the legislature’s attention to the issue of water is its importance in the perpetuation of human life; because after air, water is the most important element needed for the life of creatures and the health of all living things, including humans, plants, and animals depends on it.

Water covers more than three quarters of planet Earth and over 97% of these waters are in the oceans and seas. About 2% are also accumulated in the shape of ice and glaciers in Polar Regions. But, most of these waters contain salt and only one percent of all available water is fresh and usable. All the needs of human beings, plants and animals living on the land and 90% of drinking water for humans are supplied from this same amount. The Iranian people have long been aware of the value of water as an irreplaceable and valuable substance.

The natural need of mankind to water, the geographical location of the Iranian plateau and the scarcity of this precious liquid has multiplied the value of this vital element to the Iranian people and placed it in high status.

The rise of the glorious Persian Empire during the Achaemenid period and its exaltation during the Sassanid era and the longing of this civilization was owed to the Iranian hydrology science.

By: Dr. Aliyar Arshadi

Water Rights in Iran

The rise of the glorious Persian Empire during the Achaemenid period and its exaltation during the Sassanid era and the longing of this civilization was owed to the Iranian hydrology science.

By: Dr. Aliyar Arshadi

17 Million People Exposed to “Water Stress”

According to estimates, in the summer of the current calendar year (1397), some 334 Iranian cities will be exposed to water stress, out of which 107 are in the red state. Isfahan, Kerman, Fars, Khorasan-Razavi and Sistan and Baluchestan provinces are expected to face a more severe crisis. Meanwhile, Dr. Reza Ardakian, Minister of Energy, says about 300 cities in the country, with a population of about 17 million, face water stress.

He said there was a significant decrease in rainfall in some parts of the country. “Although in a province like Kermanshah, precipitation decrease was a few percent compared to last year, but in some provinces such as Sistan and Baluchestan, Hormuzgan and … there was 75 to 80 percent drop in precipitation compared to last year.”

“The other hand, we are faced with climate change, with about two degrees of temperature rising from the past 50 years; even if there is appropriate rainfall, this temperature rise increases evaporation,” he said.

Ardakian said population increase and rising water consumption is another cause of water stress.

He said all the possible ways to address the issue of water and supply of drinking water in cities have been reviewed by the government which pays special attention to the issue.

The minister called the people’s cooperation imperative in order to leave behind the water scarcity crisis and emphasized: “With the management of water consumption by the people, we have to have a good reserve in our dams for the remainder of the summer and will be able to leave behind this summer too.”

Ardakian emphasized the need for a revision in water consumption practices, saying: “Particularly in the agriculture sector, we should try to get more dry products with less water.”

Statistics also indicate that the worst situation occurs in the Central Plateau basin, after which the Persian Gulf and the Oman Sea deal with serious challenges.

Along with this decrease in rainfall, we have witnessed a decline of 151 billion cubic meters of overland flow in the country, which is unprecedented in the past 50 years. According to base studies conducted by the Water & Sewage Company this year we will experience the worst year in the water resources sector.

Water Under the Hammer!

Undoubtedly, raising water prices is one of the most widely considered ways to reduce consumption, but in Iran, water prices are not increased alongside economically stronger European countries.

The price of water consumed in Iran is at its lowest level among most European and American countries so that countries such as Norway, Germany, France, Britain and even our neighbors charge subscribers several times more than Iran.

Currently, in Norway, the price of water is 192.270 rials (per cubic meter), in Germany it is 113,100 rials, in the United Kingdom it is 90,480 rials, and in France it is 71,630 rials, but in Iran, which has been struggling with drought crisis for several years it is only 4,147 rials according to Water & Sewage Company.

According to the Ministry of Energy, 50 percent of the urban population will be in the red state, 19 percent in the orange state, and 30 percent in the yellow state of tension in the summer of 1397. The concentration of the population with the highest water stress will be in the Central Plateau with a population of 16.6 million people.

On the other hand, precipitation in the Central Plateau has declined by 50% compared to last year, with a population of seven million and 118 cities exposed to water stress in the Persian Gulf and Oman Sea basin.

The minister called the people’s cooperation imperative in order to leave behind the water scarcity crisis and emphasized: “With the management of water consumption by the people, we have to have a good reserve in our dams for the remainder of the summer and will be able to leave behind this summer too.”

The minister called the people’s cooperation imperative in order to leave behind the water scarcity crisis and emphasized: “With the management of water consumption by the people, we have to have a good reserve in our dams for the remainder of the summer and will be able to leave behind this summer too.”

He also pointed to the state of water stress in the cities: “If the water required is not equal to the water available in a region, water stress will occur and, water scarcity at any level will cause more water stress.”

If the water required is not equal to the water available in a region, water stress will occur and, water scarcity at any level will cause more water stress.”

Water stress in the Persian Gulf and Oman Sea Basin.

“The previous policy concerning management of cities’ water by local authorities” was approved and a new organization foresaw for it.

According to this note, distribution of urban water, administration of facilities, and collection and disposal of sewage within the city limits would be carried out by independent companies called Water and Sewage Company, or another appropriate body, in which case it would work under the supervision of a council affiliated to the Municipality.

Also, the government’s macro policy in managing water resources and related facilities and the need to prevent any damage to water facilities has required enactment of penal rules and regulations to deal with violators. Therefore, since 1968 and simultaneously with the endorsement of Nationalization of Water Resources Act, the Water and Electricity Department was authorized to file lawsuits as the private plaintiff against violators in the country’s water resources.

After the victory of the Islamic Revolution and adoption of the Islamic Penal Code, necessary provisions for prosecution and punishment of perpetrators were ratified.

In the first stage, the legislature clearly identified ownership of waters by formulating and regulating regulations related to the correct use and exploitation of waters, and then codified criminal laws and regulations. The reason for the legislature’s attention to the issue of water is its importance in the perpetuation of human life; because after air, water is the most important element needed for the life of creatures and the health of all living things, including humans, plants, and animals depends on it.

Water covers more than three quarters of planet Earth and over 97% of these waters are in the oceans and seas. About 2% are also accumulated in the shape of ice and glaciers in Polar Regions. But, most of these waters contain salt and only one percent of all available water is fresh and usable. All the needs of human beings, plants and animals living on the land and 90% of drinking water for humans are supplied from this same amount. The Iranian people have long been aware of the value of water as an irreplaceable and valuable substance.

The natural need of mankind to water, the geographical location of the Iranian plateau and the scarcity of this precious liquid has multiplied the value of this vital element to the Iranian people and placed it in high status.

The rise of the glorious Persian Empire during the Achaemenid period and its exaltation during the Sassanid era and the longing of this civilization was owed to the Iranian hydrology science.

By: Dr. Aliyar Arshadi

Water Rights in Iran

The study of water rights in Iran is not only inconsiderable without considering the country’s legislative history in this area as well as ongoing legal and administrative developments. Therefore, this article has tried to attract the attention of readers to the importance of water rights and the need to pay heed to law specialty by briefly reviewing the legislative developments in the water industry and examining the country’s water resources problems.

In accordance with Article 44 of the Constitutional Law of the Islamic Republic of Iran, the economic system of the country is based on three sectors: state, cooperative, and private. Also, according to Article 45 of the said law wastelands and public wealth, abandoned or declared and land of deceased owners, seas, lakes, rivers, and other public bodies of water, and… are under the control of the Islamic government and it will treat them in accordance with the public interest. The first important law ratified after the victory of the Islamic Revolution in 1982 was that of fair distribution of water. According to Article 21 of this law, the allocation and authorization of exploitation of public bodies of water resources for drinking, agricultural, industrial, and other uses was the monopoly of the Ministry of Energy. According to Note 2 of this law, however, “the previous policy concerning management of cities’ water by local authorities” was approved and a new organization foresaw for it.

According to this note, distribution of urban water, administration of facilities, and collection and disposal of sewage within the city limits would be carried out by independent companies called Water and Sewage Company, or another appropriate body, in which case it would work under the supervision of a council affiliated to the Municipality.

Also, the government’s macro policy in managing water resources and related facilities and the need to prevent any damage to water facilities has required enactment of penal rules and regulations to deal with violators. Therefore, since 1968 and simultaneously with the endorsement of Nationalization of Water Resources Act, the Water and Electricity Department was authorized to file lawsuits as the private plaintiff against violators in the country’s water resources.

After the victory of the Islamic Revolution and adoption of the Islamic Penal Code, necessary provisions for prosecution and punishment of perpetrators were ratified.

In the first stage, the legislature clearly identified ownership of waters by formulating and regulating regulations related to the correct use and exploitation of waters, and then codified criminal laws and regulations. The reason for the legislature’s attention to the issue of water is its importance in the perpetuation of human life; because after air, water is the most important element needed for the life of creatures and the health of all living things, including humans, plants, and animals depends on it.
More than 90% of the country's total water has been consumed in the agricultural and industrial sectors and less than 9% of it is devoted to drinking water.

Developmental Stage (1980-1-1996/7): The new management of water after the victory of the Islamic Revolution began in this period. In 1359 (1980/1), the Ministry of Energy’s regional power and utilities division was divided into two sections: water and electricity.

The adoption of the general policies of Article 44 of the Constitution in June 2005 and the subsequent adoption of the “Law on Amendment of the Water and Electricity Act” in 2008 and its accompanying regulations paved the way for the establishment of the Ministry of Water and Electricity under the supervision of the President.

One of these basic hardware measures was the construction of dams to control water. The study and design of large reservoir dams began around 1327 (1949/50). With the victory of the Islamic Revolution of Iran, the “dam construction industry” entered a new stage in development and progress. If we look at the economic infrastructure of the country 40 years after the victory of the Islamic Revolution, more than eight years of an imposed war and then a series of basic principles have been observed in the management of water resources. These basic principles include observing the basic element of integrity and unity of water resources management in all water management processes, including planning, design, implementation and operation and comparing the organizational system of water management with the natural geography and hydrology system, or in other words, the formulation of a water management structure based on the structure of the natural watersheds, which is one of the main features and principles of water management.

In one of its reports, the water statistics journal states that the management organization in Iran in the last century has undergone four distinct steps as follows:

Initial stage (1926-7/1961/2): This phase began around 1305 (1937) when a population of 11 million people, and covers until 1340 (1961/2). At the early stage of this period and before that, the water sector had no place in terms of organization and planning, and the landowners addressed the issues of local water management within the framework of feudalism.

Formation stage (1961/3-1980/1): The country embarked on a three-year plan in 1961 (1353/1), which was the beginning of a series of basic principles in the management of water resources that are more than six times the current water consumption in the household sector will be spent on developing the country.

And lastly, due to the importance of energy rights and its specialties (water rights, electricity/power rights, etc.)
**We can use the international experience on how to save water with the help of the diplomatic apparatus.**

**Special Report**

Complete Drought in Middle East in 2025

Water scarcity and its gradual reduction due to increased consumption have led water to play a more fundamental role in shaping the socio-political relations of nations and human societies, especially in arid regions of the world.

Addressing the opening ceremony of the National Conference on Water Diplomacy and Opportunities for Hydropolitics in West Asia, Dr. Seyed Abbas Araqchi, Deputy Foreign Minister and the person in charge of water diplomacy emphasized: “Before focusing on water diplomacy, we must determine our own internal share in connection with the water issue and use the domestic capabilities and facilities appropriately to solve this problem.”

He added: “Today, water diplomacy has gone a higher scope and is called appropriately to solve this problem.”

He also referred to the issue of cross-border cultivation and said: “We reached agreement with 11 countries to have cross-border cultivation in this context, and within this framework, the Ministry of Foreign Affairs was able to get several hectares of land. But unfortunately, this was not achieved due to lack of internal coordination and the problems involved in this connection.”

He also discussed the issue of cross-border waters and reaching an agreement on the distribution of water resources are not easy. For example, the Helmand Treaty, signed in the 1950s between Iran and Afghanistan, is a product of decades of negotiations.

Explaining the prospect of water conflicts in the Middle East in the near future, he said, “The West Asia region is rapidly moving toward a complete drought. There are currently only nine countries in the region, including Iran, that have not faced a complete drought. But by 2025, all countries in the region, including Iran, will be in a state of complete drought.”

He said, “In such a situation, all countries are seeking to make full use of their water resources and do not allow water to flow out of their country. Our neighbors will adopt this policy, and we will as well. The country’s policy is to stop the flow of water from leaving the country. Of course, this is not so that our neighbors become thirsty, but as I said, this needs to be managed.”

Noting that diplomacy of cross-border waters is a major part of water diplomacy, he said: “Water diplomacy has a number of other aspects, one of which is the issue of virtual waters. For example, we should see what kind of product we should produce that consumes less water. In line with this policy, there should be a major revision in import/export of goods in the country. We need to move towards smart trade in this field and produce goods that require less water in production.”

He added: “Perhaps in this context, we need to revise the discussion of strategic goods in the country. If we accept that water is a strategic commodity, we should see production of what goods need less water and what commodities need more water to manufacture, and there is also the issue of food sovereignty.”

Araqchi continued: “The Netherlands is one of the most water rich countries, but we export a lot of water to the country each year. This is done in the form of exports of goods whose production requires a lot of water.”

He also discussed the issue of cross-border cultivation and said: “We reached agreement with 11 countries to have cross-border cultivation in this context, and within this framework, the Ministry of Foreign Affairs was able to get several hectares of land. But unfortunately, this was not achieved due to lack of internal coordination and the problems involved in this connection.”

He also referred to the issue of transfer of water from abroad to Iran and said: “For example, it is said that we can transfer water from Tajikistan to Iran, or regarding Lake Urmia some suggest that water be transferred from Van Lake of Turkey. These are debates that are being raised, but it is not clear to what extent they can be realized.”

The top diplomat stressed, “We can use the international experience on how to save water with the help of the diplomatic apparatus. For example, the Tokyo Municipality has made good progress in preventing water waste and even has announced its willingness to cooperate with Tehran Municipality in this regard. However, such cooperation has a high financial cost.”

Araqchi said transfer of international experience in the field of water saving and international cooperation on optimal water consumption is an important dimension in the debate on water diplomacy.

“We need to use the international credits that are available in this regard. For example, in order to deal with global warming, a huge budget has been allocated in the international arena, but we have not been able to attract these funds in our projects.”

Also addressing the event, the mayor of Tehran said: “We provide the people with little information partly because of our populist spirit as we are reluctant to reflect negative points.”
Water availability is a major global development priority, and increasingly becoming critical. Iran is also facing increasing water demand due to a growing economy and population – with subsequent water shortages. The agriculture sector, in particular, will get less water than it demands. Climate change is not helping either, as temperatures are rising and precipitation is falling. Iran is considered a semi-arid zone: average annual rainfall is 250 mm, a third of the global, and with 1.62 million kilometers land area, it has 405 billion cubic meters (bcm) of water available per annum. Actual usage is estimated at around 93 bcm of water, much of it met from the river and groundwater systems, and also dams. Approximately 30% of this water is lost through various systems leakages and transpiration; the river ecosystems and groundwater resources are under stress. A large amount of water still remains, nevertheless, for retention and capture to increase water availability: as rain, runoff from small catchments, flood waters of major rivers and as aquifer storage. These have potential for “integrated” water solutions. Reuse of waste water is also possible, as little reuse is currently taking place in Iran.

But how to do all of this? This article highlights some possibilities for Iran for rainwater harvesting - a small-scale, cost effective solution which also provides significant employment, income and multiplier synergy effects which can have development outcomes too.

Global Scenarios
Most of the world’s water is in oceans. Only about 2% is fresh water that can be used, while people have access to less than 1% of the world’s fresh water, which is accumulated in lakes, rivers, wetlands and shallow ground aquifers. Most of the fresh water (75%) is actually frozen in polar ice caps, and much of the rest is present as soil moisture or lies deep in the ground.

Generally, there is only one source of fresh water and that is precipitation (rainfall); while a major reason for the growing over-exploitation of water resources is the current stress on river water and groundwater to the neglect of rainwater and floodwater.

Forests have many functions and are important for water: a main source of fresh water which many people rely on; providing renewable water supplies to 75% of the global population. Forests also regulate the flow of water in rivers and streams; contribute to water availability (even during dry seasons); play a crucial role in the water cycle, especially as they slow down water flow and filter the water entering rivers, lakes, streams and groundwater; and transpire water into the atmosphere, contributing to the formation of clouds and rain. More than one third of world’s largest cities actually rely on forests for their drinking water, home to 250 million people (including Tokyo, Japan and Barcelona, Spain).

Water availability affects development, while increases in population along with ongoing processes of globalization, industrialisation, urbanisation and agricultural modernisation are leading to both increasing demand and decreasing supply of freshwater. According to UN agencies, these will drive global water demand up by 40% in the next 20 years; world’s fresh water demand is expected to grow by 2% per annum over the coming decades; industrial water demand in particular is expected to grow much faster (circa 4%). If no changes are made to water use, global demand will outpace supply by 35% in twenty years time. An imbalance impossible for survival.

Water shortage is, therefore, becoming a critical risk, especially as the global...
be taken seriously. Resulting in water crisis, leading to increased flooding, more flow of surface water and drought risk. The result is soil erosion and increased sedimentation of water, reduced ground-water recharge ability and reduction in amount of water transpired into the air that contributes to rainmaking. The sustainability issues are significant.

According to UN agency estimates, on average 40% of rainfall originates from evapo-transpiration from plants; for example, a large oak tree can transpire 151,000 litres a year. Forests can clean and filter water more effectively and cheaply than any man-made system: cost of water treatment in areas where water-sheds have 60% forest cover is half that of systems with only 30% forest cover; and every $1 spent on protecting a forest watershed can save between $8 to $20 in new water treatment and filtration facilities.

Forests have significant ecosystem services value: estimated at $2,335 per hectare per annum; a wetland valued at $35,000. People also use wood-fuel from forests to boil and cook: an estimated 750 million people; while one third of household holds privately rely on wood-fuel for cooking.

The current linear thinking about water and its engineering type solutions has also made water polluted and wasted as it travels through the water infrastructure and use system. Water from many industrial processes still cannot be used for agriculture or urban use; the usability of water is lost as the quality deteriorates rapidly; waste water from factories is polluted for any form of reuse, and without treatment these factories merely discharge the waste water and use fresh water for their production.

All very inefficient. In the absence of effective mechanisms to regulate and produce water, these are a real problem. The challenge is to balance increasing water demand with the diminishing supply. How to resolve? By “catching the water where it falls”. Major new institutional, policy and technological initiatives are, however, required to ensure an efficient, socially equitable and environmentally sustainable management of water resources through “catching the water where it falls”. It does provide, however, the opportunity for a whole new development field which can also generate significant technologies and employment.

**Iran’s Sustainable Development Process**

Iran’s current economic growth process, and the focused economic growth policy approach in particular, however, are still not sufficiently linked up in planning terms with natural resources specifics and initial local conditions, in order to help enough to mitigate the sustainability issue (or the forthcoming adverse climatic conditions). The Government is seeking such alternative programme based solutions, though, but the conventional wealth creation approach is still dominant.

Looking at the long term (thirty year) average annual growth and development trends is indicative of the challenges. Economic GDP growth has been around 4% on average per annum; carbon dioxide (CO2) growth about 5%; employment growth above 2%; human development (the HDI index) growth about 1.6% per annum. The difference in the four average growth rates, over a long period of time, indicate that the development approach has been not only capital intensive but excessively industrial – that is, CO2 growth is consistently more than GDP growth which is more than employment growth and human capital growth. A combination pressurizing the natural and ecological resource base, while not sufficiently contributing to create long-term human capability to meet the sustainability challenge. A sustainable approach would require more human development growth per annum, more employment, higher economic GDP growth and less CO2 growth – in that order.

The above suggests a need also for change in economic technique and approach: from a capital intensive and hard tech one to less of both; through methods that can at the same time ensure employment and well-being for all and restore the resource base through that new employment. Employment that is based on micro and small social enterprises, and through community-based actions that both ensure ecological restoration and value added growth at the same time. That is, through green jobs and more labour intensive integrated natural resource management INRM approaches that can provide alternative livelihoods.

In the current trend, the ability of Iran’s natural resources capacity to sustain both economy and population will remain under stress. Further adverse impact will occur as climatic trends start to play. The Government of Iran’s Five Year Development Plan processes usually intends to achieve high growth rates; currently 8% GDP growth per year, as also set in the last few Plans; which would need significant investment; while some Plans have also focused on long term sustainability; the 6th Plan has both written in it; and the new “economic resistance” approach attempts to utilize more local involvement and employment alongside more domestic investment absorption. These combined high growth and sustainability criteria would be possible only when the investments actually undertaken also adopt both sustainable criteria (for ecological restoration and resource base improvement) and job creation criteria (e.g. in green job type activities that have both value added and employment) in order to create new demand for the new goods that are to be produced domestically. So that, subsequently, a larger proportion of GDP is made sustainable and green and along with value added growth, and to ensure socio-economic ecological resilience. Otherwise it would be the same story.

Out of a population of 80 million people living in Iran, about 23 million or so live in rural areas, many below a relative minimum income line and some with lack of access to various resources, services and information – including irrigation water to ensure sustainable agricultural production. Iran’s rural growth and development path is naturally dominated by water resource related and climatic factors: surface climatic conditions. Decomposed into semi-arid, with low average annual rainfall of 250 mm: affecting agriculture and food output. Evaporation is high, as a quarter of Iran’s land is hot desert and second grade rangeland.

The total water available of 405 bcm per annum is due to precipitation within various water basins; with a total area of 1.62 million kilometers: the Caspian Sea basin (with 10.7% of land area and 18.1% of rain fall); Persian Gulf and Oman Sea basin (26.1% land; 38.8% rain); Lake Urmieh basin (3.1% land; 4.3% rain); Central Plateau basin (11.2% land; 33.4% rain); Eastern Border basin (6.3% land; 2.6% rain); and the Kurgh Qum basin (2.7% land area; 2.4% rainfall). The Central Plateau basin which is half of Iran’s total land area has much less rain than the average – at 164 mm. While half of this Central Plateau is poor rangeland and hot desert and rainfall in them is well under 100 mm per annum – insufficient to sustainably hold populations and produce food, unless something more organized is done about it.

Of the total 405 bcm of water, the renewable extractable water per annum is circa 130 bcm, while actual extracted water resources are estimated at only 93 bcm of which: drinking water 6 bcm (about 7%); agriculture 86 bcm (92%); and, industry 1 bcm (over 1%).
Agriculture is, therefore, usually blamed for the water problem – as it consumes most of the extracted water. Of the 1.62 million kilometers, or 162 million hectares of land in Iran only 13 million hectares or so are in use each year for agriculture and horticulture, use to support food security. The rest is 14 million hectares or so of forest, 28 relatively okay rangeland, of which 7 is quite good, and 56 poor quality rangeland, while 23 million hectares is hot desert. Iran’s water supply, meanwhile, has declined from an estimated circa 7,000 cubic meters per capita of annual water available in the late 1950’s, to the 1,600 cm/cap/annum or so that we have today (i.e. 130 bcm/80 million people), and probably going down to 1,000 in fifteen twenty years if the heat wave continues and population rises. While some predications for Iran are more heat and much less rainfall in the next thirty years. Global consensus thinking suggests that below 1,000 cm/cap/annum is a “water scarcity” red line and critical threshold – as the below map indicates.

With Iran being semi-arid, only less than 10% of the country’s lands are forest and woodland. With less forest now than five decades ago, and given the trends in aridity, there may be less forest, less agricultural land and more desert area available over the next twenty or so years: the risk of less being accentuated by tree cutting for lumber and fuel-wood use, for conversion into housing development and general encroachment from rangeland and grazing. Regarding policy approaches beyond just water control, but also more tree planting to ensure moisture and coolness (as well as other outcomes including prevention of migration).

Most of Iran’s near 23 million rural people benefit directly from the 14 million hectares of forest and general woodland. As mentioned above, capital values in the sector suggest estimates of ecosystem services values for forests of around $2.335 per hectare of forest per annum. That indicates a capital value of more than $33 billion for the total 14 million hectares in Iran (an over-estimate perhaps, as only half the 14 million is considered true full forest). Main forests in Iran include the Caspian Sea basin Hyrcanian forest and the Zagros mountain range. The magnificent forest of the Caspian area, of the northern Alborz mountain, cover 2 million hectares. The western Zagros mountain range accounts for about 40% of Iran’s forests; however, much is now being lost to grazing land conversion and fuel-wood use. In the desert and semi-desert areas of Iran the vegetation cover is mainly small trees, shrub and bush, as extensive rangeland and plain. The possibility exists, given climate and human intervention, that perhaps desertification will increasingly encroach further into useful forest, woodland, food-land and rangeland. By how much, however, is difficult to tell. Already the drying of the Zayandehrood in Isfahan, Urmieh Lake in Azerbaijan and Hamoun Wetland are examples affecting water resource supply and natural ecosystems. Climate factors are at play too: over the last five decades mean precipitation in the Urmieh Basin has decreased (estimated probably by circa 9%) and average maximum temperature has increased (estimated by circa 0.8°C) there. Wetlands are, of course, highly fragile generally and prone to crisis.

Such combined results of population, natural resources and climate trends will subsequently impact on our children, food security, ability to produce economic value added and internal population movements (and migrations); problems on the horizon, and which are being thought about by the Government. The sole economic growth and wealth generation approach, and a large scale capital-intensive one at that, however, and without due consideration to the resource base and local people’s capability, will remain a real challenge creating further complications - unless transformed into something more sustainable and inclusive growth oriented along with less overhead costs and more labour-intensity.

In order to overcome, combined social-economic-ecological thinking and planning is required; with rural-agricultural development processes linked to both the water cycle and the ecological base; water supply, demand and behaviour processes improved; new integrated water solution systems imposed; local people and communities enabled to become further involved in the ecological restoration and natural resource base process; techniques such as rainwater harvesting adopted broadly and upscale in every possible way. To ensure support for both economic growth and sustainable development processes.

**Sustainable Integrated Natural Resources Management (INRM)**

The water system is a balance between supply and demand. A water shortage is demand which cannot be met by available fresh water supply; the impact on economic activities and social capacity can then be significant. Primarily, water demand has to be reduced, requiring a behavioural change: stopping leakages; using more water efficient appliances; processes and techniques. The retention of water is also primary and crucial; through rain water harvesting; enhancing top soil water retention; aquifer storage and recovery; and retention in lakes and wetlands. Water can also be reused: through ecological treatment and reuse of waste water, industrial waste water and sewage.

Two major trends in this are apparent worldwide. First, the State has emerged as the main provider of water, replacing communities and households who were original primary units for provision and management of water. Second, a growing reliance has occurred for use of surface river and groundwater, with earlier reliance on rainwater and floodwater declining; even though rainwater and floodwater are available in greater abundance than river water or groundwater.

The ideal approach to this issue is an integrated natural resources management (INRM) which takes a system-wide (integration) view to water programming and other natural resources (including human); for measures to improve a region’s balance, generate activity and mitigate water shortages, and ranging from reducing water demand to increasing water availability through water retention (and reuse) measures. INRM programming enables quantifying the potential of the entire water supply chain and the main water users; along with scenario analysis of future social, economic and environmental developments and their inter-linkages; of how much and what kind of sustainable activity and production is required; and how economic activity and investment practices should shape to help ensure wealth (GDP) creation and also keep ecological stable in twenty years time.

INRM is a programme based approach to problem solving – and is results based. Or should be! It requires good planning, standards setting, combined institutional and private cooperation mechanisms, new green technology and better investment quality – even trade and SME systems development (as social enterprises). This can then help mitigate such water challenges. But programme based perspective requires the conditions that ensure wholistic, integrated and inter-sector approaches with the requisite institutions. Otherwise it’s the same story.

Such INRM based water resources management approaches should determine the basis for any development policy, for improved overall performance in the water sector. Applying new approaches requires a transformative change – away from current, dominant linear (cum basic engineering) views of water systems. Towards an integrated (non-linear) water systems solution approaches. Along with appropriate water governance, as current global institutions (their performance, inter-relationships, approaches to formulation of policy, etc.) are a constraint to such a new approach.

No doubt the entire water cycle, from water supply, demand and behaviour has to be improved, before a new integrated water system solution can be as effective as planned by institutions, whom themselves must also change. Of course, the subject itself is complex – but there is potential room for improvement. Improved policy and practice needs to be integrated to overcome such complexity, and ensure convergence. Constraints can be taken into account when designing new water systems; so that full potential exists – both the social-economic-ecological processes and the main water users; along with scenario analysis of future social, economic and environmental developments and their inter-linkages; of how much and what kind of sustainable activity and production is required; and how economic activity and investment practices should shape to help ensure wealth (GDP) creation and also keep ecological stable in twenty years time.
There are simple, local-based integrated solutions, which can overcome constraints and remain low cost and sustainable. One, certainly, is the improved retention of water through rainwater harvesting. This is an INRM approach, in principle, targeted at the local level and which can overcome the possible instability problems of ecological system nature. Rainwater harvesting captures rain and is the art and science of collecting water where it falls, also capturing the run-off in a village or a town. People have been doing this throughout history: It could meet freshwater needs adequately, equitably and sustainably; once modernised with help of technology and when mainstreamed into policy. But it is a decentralized approach, requiring peoples participation and public-private-community partnerships PPP.

Rain water harvesting can be undertaken in both rural and urban areas. In rural areas through: gully plugs; contour bunding; check dams; percolation tanks; recharge shafts; dug well recharges; sub surface dykes; etc. In urban areas: recharge pits; recharge trenches; tube wells; recharge wells; etc. The variations and combinations are a lot. For example, the contour bund has been used in Iran, as has the crescent bund which retains water in gradients where the seedlings and plants are. One can see this in many places in Iran where Forest, Rangeland and Watershed Organisation (FRWO) has been active. Fortunately, in Iran the FRWO has adopted the general rainwater harvesting approach. It has to expand and upscale it significantly, requiring both central Government budgets and also community-based resources.

Appropriate INRM policies for rainwater harvesting have many benefits: they cost-effectively alleviate water shortage and its declining quality; every household in the local community becomes involved in the provision of water and in the protection of water sources; water becomes the subject of people’s own motivation; relationships between people, economy and environment are re-established; urban and rural communities become catalysts for development and sustainability; while the Government is enabled to play the critical supportive role in encouraging equity and sustainability in the use of water and other resources. Rain water harvesting enables a role for everybody with respect to water - a public-private-community partnership PPP. This process can also ensure own financial resources for the job. And result in sustainable economic development outcomes.

There is always some unwillingness for a programme perspective, however. It is considered difficult, costly, government expansive and an interference in market processes (which require private individuals to have the motivation to find solutions themselves). That would make good sense, but only when all is well in a society (and “trickle down” effects are actually working). When all is not well, and the economy is ill, and social capital is not functioning, it does not make sense to reject programme type approaches. In stagnation and stag-flation contexts especially; and when the ecology is critically imbalanced.

Further, programming needs specific measures and targets – both physical and monetary. The current economics perspective is in terms of money, is individual based and is inappropriate for a biomass based agricultural economy that is engaged in sustainability issues and is also functioning around subsistence levels (75% of Iran’s farmers are small scale). A multi-dimensional programme approach is required. One that fully links (integrees) together water development, rural development, economic growth and the natural resource base.

The new global programming approach stresses reducing demand in agriculture which is the largest water user (globally accounts for 66% of water demand) – and more retention locally. In Iran reduction of agriculture demand is more crucial as 92% of extracted water (integrates) together water development, rural development, economic growth and refinements in crop pattern) and changes to more water efficient crops (virtual water calculations).

- Appropriate investment in natural infrastructure for retention such as in lakes, wetlands and forestry projects (enabling water holding for long periods).
- Water storage projects such as water reservoirs or rainwater harvesting.
- Underground aquifer storage and recovery activities; more efficient irrigation methods (e.g. drip irrigation).
- Enhancing top soil water retention (agriculture needing less irrigation water).
- Using saline water techniques for irrigation purposes.

Water used for irrigation also enters back into the ground (through natural drainage) thereby adding to ground water resources; ground water resources are important as artificial ground water recharge measures are crucial to ensure sustainable water table levels are kept. Serious issues also in Iran: any of its large fertile plains (e.g. the Sistan plain) can, should or have, gone through this process of development of drainage infrastructure to retain more water (once complementary deep wells and aquifers are utilized also).

There are, of course, other measures that can substantially reduce water shortage per se: desalination plants, the building of large water reservoirs through dams, or connecting water basins with each other.

However, such engineering measures are costly and capital intensive, and have impact on the local environment, on society, in reducing land productivity, and on habitats perhaps irreversibly. Creating serious problems up and down stream, or transferring problems from one basin to another. They alone may not be able to fully eliminate water shortages in climate change scenarios, in different settings and contexts; and would not be significant top-down governance mechanisms. In aiming to reduce and retain water sustainably a number of softer development type approaches are also possible. One solution is the bottom-up “community” perspective – to enable rain water harvesting, community based forestry and INRM. Although the cost of forest development is usually significant, experience indicates that community-based approaches are cost effective for water retention, green rehabilitation and rural development purposes (usually at a quarter to a third cost of prevailing contractual based approaches).

Local Community-Based Systems Solutions

Environmental and ecological degredation have serious impact on the lives of rural people and on their poverty levels. In Iran, rural small farmer households (SFH) largely live within a biomass based local economy that is above subsistence. The SFH are a great potential for growth and development in Iran: nearly 3 million such land owners, making up 80% of rural land ownership; with a total population of around 16 million including families; working on less than 5 hectares of land area (average of 2 hectares); covering a total area of 5 million hectares (out of a total of 17 million); and with a possible total income of about 70,000 billion Rials (out of a total rural GDP of about 800,000 billion Rials). Their products are obtained from plants and animals (food, fruit, beverages, fuel, animal feed, wood, medicinal herbs, wool) and are processed into goods for sale (dairy products, dried fruit, essential oils, carpets and rugs, cloth, handicrafts, etc). Lack of such natural biomass resources lead to “sustaining poverty” - inability to meet rural basic needs. Lack of water may be the trigger for poverty.

Over the last seventy years increasingly market and money driven schemes have entered into their lives and now urban goods and services have taken an even more important role and value in rural society. They are currently in a lagging situation economically, however. Once SFH are supported directly, with specific and focused support programmes and institutions, they are likely to make significant and contribute to full rural employment – and if upscaled well can perhaps prompt up to an additional 1% GDP. This kind of outcome has been noted in many developing countries with such integrated pro-
capability for forest development and the wood industry. These strategies make new development strategy easier to plan and implement; a useful local capability for national development planners to consider seriously for a local community (SFH) based integrated forestry and rainwater harvesting approach.

Once these are complemented by targeted zoning and general rural human interventions affect local hydrological regimes and degrade lands which the rural economy is dependent on. Rural people need water for domestic use, livestock use, small-scale irrigation, home-based processing activities and other artisanal and industrial applications. People need water to raise their combined activity levels in tree planting, wood cutting and water harvesting towards integrated water solutions and ecological restoration is possible, by improving their local natural resource base is a viable and effective strategy for both growth and poverty alleviation. Ecological restoration is possible, by using integrated water systems solutions, which also help rural economic growth, and alleviate SFH poverty. Though substantial investments are being made in exploiting river and groundwater resources to support large scale irrigation systems and supply of water to urban centres, these systems of coverage could be significantly improved for poor rural people living in degraded or low quality lands who need water-based interventions to restore their rural ecology and get out of their poverty trap.

Rainwater Harvesting

Rainwater harvesting is a good solution to a such a problem, however; as SFH are in poverty traps, local communities are prevented by law in becoming excessively involved in natural resources; forest use is insufficiently organized for sustainable development purposes; the local wood industry and handicrafts sector is fragmented or weak; standards for social enterprise type green products are missing; institutional mechanisms and local PPP process need significant improvement; and there is no guaranteed procurement (as an institutional demand) for SFH processed products and in rural areas so as to ensure small-scale local economic development and higher local GDP outcomes (which would also benefit the national GDP and funds flow system).

In such a scenario, local community water management and rainwater harvesting can prove to be highly useful activities to initiate restoration of both the ecological and economic base in rural areas: a fundamental change in perspective in water management strategies, and towards integrated community-based water solutions. A programme approach is required – as obviously one can’t leave this to "market forces" and private action alone.

Rainwater Harvesting

Water is vital for survival, yet natural and human interventions affect local hydrological regimes and degrade lands which the rural economy is dependent on. Rural people need water for domestic use, livestock use, small-scale irrigation, home-based processing activities and other artisanal and industrial applications. People need water to raise their combined activity levels in tree planting, wood cutting and water harvesting towards integrated water solutions and ecological restoration is possible, by improving their local natural resource base is a viable and effective strategy for both growth and poverty alleviation. Ecological restoration is possible, by using integrated water systems solutions, which also help rural economic growth, and alleviate SFH poverty. Though substantial investments are being made in exploiting river and groundwater resources to support large scale irrigation systems and supply of water to urban centres, these systems of coverage could be significantly improved for poor rural people living in degraded or low quality lands who need water-based interventions to restore their rural ecology and get out of their poverty trap.

Rainwater harvesting is a good so-
The role of Government must change in this approach: empower communities; support ecological restoration structures; establish laws supporting community effort. Sole bureaucratic resource management systems have also proven cost-ineffective, and less relevant community-based decision-making systems have also proven cost-ineffective, and less relevant. As the management and use of the local rainwater capacity is undertaken by community-based decision-making systems, and institutions, and enabling legal and financial measures which promote community work, the challenge lies in empowering and mobilising the labour base of the SFH. The integration of the community itself is important: as if only a few in the community are active, against the wishes of the rest, they will not succeed. All will protect a common (water) resource jointly only if all of them know that they will benefit from the resource fairly. Equity and fairness is a pre-condition for common effort. The local word ejma (consensus) well indicates this. They would need both organization and incentive: community-based participatory systems leaders be from the community; facilitators and specialists undertake community mobilization and catalyse; appropriate incentives implemented. The entire community is then involved in protection and management. Every village household can be actively involved to take shared decisions of common interest to the village. Usually each village has an institution of its own which brings its members together to discuss, decide, manage and resolve disputes regarding common resources and issues. The institution must work transparently in decision-making in order to ensure cooperation and discipline within the group. Open village forums are more transparent and usually work well to bring about good natural resource management and to sort out complex internal community differences. Even in different contexts where differences and inequality is significant. The resolution of internal village conflicts and coordination are easier because of the transparency, accountability and confidence involved in open village meetings. In INRM and ecological demarcations it is essential that all groups (land owners, SFH, landless, workers and women) play an important role in the affairs of the village community.

The Required Policy and Programme Dimension

Rural development efforts conventionally focus on modernized agriculture dimensions: however, such sector based efforts can also easily be fragmented, contradictory and counter productive. Fragmented (partial) approaches do not help INRM and ecosystem planning processes. The building of small irrigation reservoirs must be complemented by appropriate land use to protect the catchment of these reservoirs. Animal husbandry and dairying operations must be complemented by increasing feed supply. Further a central organisation cannot plan for each locality: this type of planning is also best done at the local level, sub-district by sub-district; village by village – given diversity in local ecosystems (even within one local ecosystem). Villagers relate well to their immediate local ecosystem and local level planning should be participatory; while it can be supported by government bureaucracies but cannot be commanded by them.

Efficiency, equity and sustainability are necessary pre-conditions and objectives of a new rural development process based ecological restoration policy. As mentioned, the sustainable usefulness of private natural resources is interlinked with the productivity of common property resources. In order to deal with this multi-dimensional linkage, the focus has to be on connecting, leveraging and mobilising the local community in an essential catalytic role. Initially a local INRM action plan has to be developed: identifying private and common property resources of the locality (land, water, livestock, etc.), its diverse biomass needs, water available, products and skills, the interests and requirements

lution in rural areas: an integral part of INRM activities in watershed basins, whose objective would be to improve to-biomass output. Theoretically, the poten-
tial is enormous. Rainwater harvesting involves people and society – in making water management the business of all. Decreasing current demand on government institutions and subsidies, helping every-
one internalise the full costs of water re-
quirements, and encouraging people to be more conserving in their water demand.

Local community-based rainwater harvesting systems have many benefits: communities and households develop their own water supply systems: they take better care of their operation and main-
tenance; water is used more efficiently instead of being wasted; micro savings and local resource mobilization is un-
dertaken; reduced pressure on the State to provide financial resources needed for water supply; and a sense of greater

Example: for groundwater recharge areas where: ground water levels are decl-
ing due to over-exploitation; substantial part of the aquifer already de-saturated (i.e. regeneration of water in wells and hand pumps is slow after water withdrawal); availability of water from wells and hand pumps is inadequate during bad months; ground water quality is poor and there are no alternative water sources.

Rain appropriately captured from 10% of Iran’s lands can probably provide its population of 80 million with probably 40 bcm/annum. There is no village which cannot meet its own drinking water needs through rainwater harvesting – even in low rainfall areas. Theoretically, in an arid area with annual rainfall level of 100 mm (per square meter), one hectare of land can theoretically capture as much as 10,000 cubic meter of water (or ten times the stress threshold amount). In more densely populated areas with usually more periphery or urban built-up area (including rooftop) improved runoff efficiency exists and less land area is required to capture the rainfall amount of rainwater. A synergetic multiplier that can be utilized easily.

A new paradigm and an enabling pro-
grame environment. One that actually deals with the ecological nature of rural vulnerability. Such solutions incorporate the following variables: specific dynam-
ics of the regional ecological system; people involved in the management op-
eration and maintain of the resource; lo-
cal “water user groups”; cooperatives and
associations; time taken to transform an ecologically devastated rural area; fragili-
ity of new natural assets created; pre-set sustainability standards; and adoption of micro and social enterprise based ap-
proaches.
of different socio-economic groups, donors and supporters, local institutions, etc. To promote a series of sustainable activities: to achieve more quantity and productivity of croplands due to availability of irrigated water; from better water conservation and ecological restoration actions, increased range and fodder production from local rangeland, and for increased production of timber from forest areas.

The indicators of local INRM and ecological system planning for biomass regeneration are:

- enhancement of the total natural resource base of the sub-district and village ecosystem;
- production of basic biomass needs of the community on a priority basis;
- equity in the distribution of biomass resources;
- increased value added from biomass based products;
- higher green based activity levels and employment.

For success, programme measures are required: changes in institutional, legal and financial frameworks which promote participation and decision-making processes; taking into account the ecological dynamics of the ecosystem in which the local community is based (i.e. the water basin dynamics); factoring in economic dynamics and variables involved (skills, production, types of goods, population, labour force, etc.); using INRM technology for ecosystem-specific and socio-economic (contextual). Such a package understands traditional use of the natural resources and systems of the region.

These programmes require standard operating procedures joint restoration, management and operation, which the government and community will have to create together. PPP management of natural resources is best undertaken when also creating together. PPP management of natural resources is best undertaken when also creating together.

This general approach cannot fully eliminate water shortages or ensure complete ecological restoration, but it can reduce water shortage and save billions of cubic meters of water annually while achieving a minimal sustainable restoration process and producing more moisture and value added. Using joint community approaches along with water user groups for more rain water harvesting and efficient irrigation systems would generate the greatest potential saving in water and growth in output.

Example: Integrated Tree Planting and Targeted Zoning Approaches

The rainwater harvesting method can be utilized for focused tree planting for ecological regeneration. The need to increase forest cover and prompt cooler, moister climates is obvious. A new development approach would combine pre-planned green belt zoning and rainwater harvesting in the Iranian rangelands and valleys for producing small trees, shrub and bush species. Small trees are the species for semi-arid rangeland have shown significant resilience in Iran, and are versatile in their income generation potential. Large trees provide fruits, timber and wood residuals that are valuable. Once planned, zoned and targetted well, the approach has advantage of generated and sustaining scale, requiring less water use, producing local value added, helping ensure local moisture and food security and stabilizing the population. Developing cooler local climates.

For example, a targeted one million hectare green zone, across a number of watersheds and Districts (in valleys), in a semi-arid zone of less than 130 mm rainfall per annum, may hold about 300 small trees per hectare (a total of 300 million trees!). This generates moisture, more vegetation cover, less land degradation and the chance of more of both agricultural food production and livestock feed; and possible production of at least 1 million tons of grains, feed etc. The green zone produces both more moisture and energy through appropriate cheap clean/green/ solar technologies easily implemented at local level (e.g. glasshouse type approaches). With a small, multi-watershed micro-climate of its own, the zone will have something that Iran will need in the future in a number of strategic locations – to keep the population stabilised.

Further, it may be linked to industrial production and markets. The wood composite manufacturing industry is an example. This industry can be involved in systematically and build a number of its small capacity, green type, manufacturing plants in the designated green zones. To complement ecological regeneration activities of local communities.

The whole cost of effort kept low, through targeted planning, community participation and small, green technolgy type manufacturing. The cost-benefit ratio would be (roundabout) 1.3 - that is, financial investments would provide a general trebling in terms of social-economic environment benefits. It was estimated (by this author in 2014) that the initial cost of one hectare of tree farming and irrigation (using the above approach) would be $300 per hectare, and the setting up of small residual wood manufacturing plants at about $700 per hectare – a total of $1,000. The direct socio-econom ic benefits would be about $1500, and the eco-system benefits about $1500. At the 1 million hectare scale, it would initially cost less than $1 billion, and would benefit continuously at least $3 billion.

A cost minimal relative to national budget. Benefits include keeping a large rural population active and stabilized: the 1 million hectares could employ up to 300,000 people directly and indirectly; economic’s now estimate that for every 1 million invested in forest/woodland activities through community based approaches around 150 jobs may be created directly and a similar number indirectly in many other lines of related activity and derivative forest and agro industry; while if a conjunct composite wood industry is established (along with other green industries in the zone) this could possibly also produce at least 300,000 cubic meters of wood from the 300 million small trees and bush. All this means that about 1 million people (workers and families) can be kept out of rural poverty and undertake ecological regeneration.

Such zones provide a safety belt: for populations in danger of drought and famine in twenty years’ time (probably twenty million persons will be at serious risk). A number of such strategic zones, across Districts around the country, may prove useful one day. Ten such 1 million hectare special zones could produce 3 billion new trees, 10 million tons of food and feed, ten micro-climates that could be kept moist with solar technologies, and also keep ten million people in households busy and safe for a while.

The total cost is no more than $10 billion (insignificant for Government over a five year period): the total annual gross benef it could be up to $30 billion if organized and maintained well.

Importantly, such an organized approach to keeping the primary rural base and ecology safe and sustainable and at the same time generate added value and benefits, will also prompt Iran going green in its GDP, while Iran’s natural capitol base and ecological systems will have more chance of being saved from signific ant destruction, deletion and less water. Such a development policy approach will also prompt capacity for use of better planning, targeting and pricing in the national institutions – and supporting an increase in our comprehensive wealth, in the GDP and in our inter-generational well being, in material and ecological and knowledge based strengths will also develop.

(Endnotes)
1. See, for example, tables in Mustaqeel Tabees: Techniques for Eco-system Valuation. Note that in comparison, rangeland is $550, wetland is $35,400, and agricultural land is less than all at $222. E.g. $1 million invested in forest/woodland activities through community based approaches around 150 jobs may be created directly and a similar number indirectly.
According to Dr. Massoud Nili, economic advisor to the IRI president, the poor in Iran are divided into three categories. First, the poor employed, who for whom jobs must be created through increased economic growth; and ultimately, the invalid and the disabled who can be assisted through government support and by raising the power of welfare organizations.

**Different Definitions of Poverty**

As you know, we take poverty as relative poverty. When we define ‘absolutely poor’ – that is to say part of the society faces difficulty in meeting its basic needs. For example, how much is the livelihood of a household living in a medium size city or in a big city or in a village. Those whose income is less than this amount, are people who live under absolute poverty. Relative poverty is completely different from absolute poverty.

In this index, independent of whether we are talking about Switzerland or a very backward country, we consider the level of the people’s income in the society and speak about the 25% low-income group who are always experiencing relative poverty. Those who are considered to be below the relative poverty line in Switzerland may be richer than the wealthiest people living in Afghanistan and live in a better environment than them. But in their own society they may be ranked among the poor. In fact, relative poverty always exists, but absolute poverty can be eliminated and no more exist in any country at all.

Another classification is that we recognize a kind of poverty as income poverty, and consider another type multidimensional poverty. Income poverty means how much a person earns and how much his income would generate the adequate living standard, and lack of income. We might say that a country is not in a favorable situation in terms of income poverty, but enjoy favorable conditions in terms of multidimensional poverty.

Another classification is that considering these points, especially with the income poverty base, what groups are poor, who are poorer? Are the youth poorer or the retired? Are the employed poorer or the jobless?

**Poor Employees**

A family that has the smallest expense in one month or one year is the poorest and a family with the highest expenses is the most affluent household. Then we divide these into equal populations. Therefore, 10% of the population with the lowest level of education is the first decile, then comes the second decile and goes on till the 10th decile. Now we analyze in terms of welfare to see what are features of the poor in society and what are the characteristics of the rich.

**Distribution of income shows the ratio between the poor and the rich in a society and that how much this ratio is acceptable and whether it needs to be improved or not.**

The first point we get from this study is that the vast majority of Iran’s poor come from the working class. In Iran, there are about three million unemployed people. When we distribute this number (three million) among the various deciles, we come across 4% for the first decile, 8% for the second decile it is 3% and this goes to 2% and 1% in the higher income deciles. Here about 35% to 38% of our first decile who constitute the low-income population of the community are from the employed. This is an instructive observation for us that if most of our poor are among the employed, then we must primarily improve their level of income. Of course, those who are unemployed should find jobs. But in terms of the population, most of our poor come from employed. Some eight million people (38%) in the country have jobs but they do not enjoy good quality.

So the question immediately raised is whether we can categorize poverty in the country according to the characteristics of the poor? The answer is yes we can do it. Well, what’s this category? We say that we have three types of poverty in the country: one is the poverty of the employed, namely those who are employed but poor; second, the unemployed who are poor; and third the poverty of those who cannot work due to physical and mental failures. As for the first group, this could happen for two reasons: either the work environment is not fair, or the job generates low income. Its own income is low. In industry, we have big, medium, small and micro enterprises. An enterprise having 10 to 49 employees (that is under 50) is small enterprise; one with 50 to 150 people – and according to some definitions up to 200 employees – is medium-sized enterprise. Enterprises with over 200 employees are big enterprises. Enterprises employing fewer than 10 people are called micro enterprises.

Our problem is that 65% to 70% of all employment in the industry sector is in micro enterprises. The least employment occurs in large enterprises. Now, in terms of revenue, about 70% of the income generated in our industry is in large enterprises. So the income from the micro sector is very little which is divided into a very large figure as the number of employees. We conclude that income is generated in one part of the economic activity, but employment is elsewhere. So increasing employment does not necessarily lead to an increase in income.

The fact that one is employed does not mean that he does not suffer from poverty.

In fact because of this gap between the part where income is generated and the part where job is created, many of our employees live in poverty, and the gap between the incomes of our employees is too big. The solution is to turn the micro enterprise into a small enterprise in a process of growth; turn the small enterprise into a medium enterprise; and turn a medium enterprise into a large enterprise. But why this does not happen in our economy? The reason is that the big enterprises in our economy were not micro enterprises to grow up gradually. They were created big from the very start.
The result is that there is no connection between enterprises of different sizes, which results in the flow of income from large firms to small, medium and micro enterprises…

This major group, the large one, means that employees must increase their income level in the economy with higher economic growth, so they also have more income. So there is no dispute between growth and social justice.

Income Ratio in Iran
Distribution of income shows the ratio between the poor and the rich in a society and that how much this ratio is acceptable and whether it needs to be improved or not. Distribution of income in the Iranian economy has a rather specific shape. If we arrange the first to the tenth deciles from the lowest to the highest, this division can also be more detailed.

For example, let’s get a percentile; there, instead of every batch of eight million there will be a batch or percentile of 800 thousand. In fact, 800,000 people with the lowest income will be the first percentile and this will continue up to the hundredth percentile. Now, if we find out the difference in the level of enjoyment of each percentile with its neighbors and if we continue the trend to the first percentile, which is actually the lowest income, we will reach a very interesting U form. This means that the difference in income level and welfare level of the very poor part of the society and the very rich part of the society is very high, and the middle part which covers about 62 to 65 million people in the country, have a very low level of difference in income.

Therefore, we observe inequality in the income distribution spectrum between the very rich and the very poor. That’s why, when we divide these two sides, if we regard deciles the ratio will approximately stand 14 to 1. That means the tenth decile is 14 times more than the first decile of income owner. The ratio of 14 to 1, for our country, in comparison to other countries, is not acceptable. For example, if you compare the United States with Europe, the result is that the US is more unequal. That is, Europe actually has a stronger social policy while there is more inequality in the United States. This ratio of 14 to 1 is closer to the US than Europe. That is, despite the fact that we have placed so much emphasis on social justice, this gap is unacceptable.

As soon as you have put aside the gap between the two ends of income distribution, Iran would become one of the most equitable countries in the world.

As soon as you have put aside the gap between the two ends of income distribution, Iran would become one of the most equitable countries in the world.

Lack of Strategic Business Partners
Iran has many business partners, but does not have a strategic business partner. In the international jargon, business partner refers to a country that has business relations with us all the roads lead to political impasse. From every direction we want to examine the causes of our failures in the economic arena, we see the footsteps of wrong policies. The same policies which must serve the economy for many years now have backfired and harmed the economy. It now seems to be the time to take some firm decisions in this area to bring about change in the economic policies of the country through a broad consensus among various institutions.

Dr. Pedram Soltani believes that the level of authority and power of our government in diplomatic engagements with the world is lower than the usual limits of other countries. The government is engaged in diplomatic interactions with its hands tied. See what happened to the JCPOA (Joint Comprehensive Plan of Action)!

Soltani who is Vice President of Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA), says
The first point to note is that the level of power and authority of our government in diplomatic engagement with the world is lower than the standard of other countries.

Then why Iran has no strategic partners?
Unfortunately we are not part of any serious and strategic regional and international business or economic agreements. Defining common strategic interests or the framework for these strategic interests in the first place requires effective and durable bilateral and multilateral agreements, while engaging in sustained and constructive interactions with these countries in political engagement. This is not the case, and we are nominally in a number of agreements, such as “ECOTA” (Economic Cooperation Organization Trade Agreement), the “D-8” Agreement or deals with Islamic countries. These agreements are symbolic and none of them have been enforced partly due to conflict of interests among the countries. These agreements are formal and mostly politically motivated.

The question that follows is why so far we have not concluded any effective regional agreements?
What happened to us after the (1979) revolution is that in a certain period in order to safeguard the revolution and maintain new frameworks it was natural to enter into bilateral suspicion with many countries, from the United States to Europe and neighboring countries. At different junctures other countries and basically the influential countries developed strategic conflict with our country for various reasons in the political arena. Both sides were guilty but in my opinion we were guiltier because we were skeptical of almost everything or were extremely political-minded which prevented us from improving interactions and constructive economic relations with these countries.

In some cases, due to this approach and perspective, we made strategic mistakes like the question of our accession to the World Trade Organization. We were among member states which joined the General Agreement on Trade and Tariffs which is the mother of WTO. If we had kept moving in the same direction, we could have been among the WTO founding members but this suspicion and this false international strategy made us miss this golden opportunity. Now we have been waiting behind the WTO doors for long years and have deprived ourselves of many rights, including privileges and benefits of easier and cheaper interaction with other countries. As the largest economy that has not yet joined the organization, we would be forced to join the WTO under very hard conditions and receiving little privileges and giving more concessions. Unfortunately, our strategic thinking at the international level has not succeeded in securing economic benefits for our country. Accordingly, the main obstacles to our pursuit of effective trade agreements with the region are political issues and a clear gap that exists between the political approaches of Iran and other countries or regional blocs.

To what extent do you believe the World Trade Organization is losing its importance, especially after the coming to power of Trump in the United States?
I cannot say with the taking office of a person like Trump, the role of WTO is diminishing, and then assume it as a rule, saying that the role of this organization is declining throughout the world. The new president of the United States is a phenomenon in terms of thinking and attitude, and in the sense of restoring protectionist policies; this is while the United States itself has been a pioneer in establishment of the body.

But what has happened over the past few decades and gained strength over the past two decades is that with the rise of emerging economies such as Brix and the next generation of emerging economies, the WTO equilibriums have somewhat been disturbed. This was because industrial justification for manufacturing industrial goods and exports in the emerging economies was far higher in China and other countries than industrialized countries. The industrialized countries could not afford to keep pace to the extent they expected with China’s rapid growth and emerging economies. The globalization trend in the past 20 years has served the interest of emerging economies more and has not served the interests of the United States and other Western countries like it did in the previous decades. For the same reason, some intellectual currents in the United States and in developed countries have become suspicious of the World Trade Organization.
that WTO is going towards dissolution or effective economies are leaving it.

To what extent do you accept the analysis that Iran, rather than bargaining to join the World Trade Organization, should enter into the phase of commercial contracts?

I myself am among those proposing this idea; our accession to the organization in the current unfavorable political conditions is virtually unknown, and it is not clear under what conditions will we join this organization. For nearly eight years now, the formation of the Working Group on Iran’s accession to WTO has stopped. The chairman of the Iranian working group too has not yet been determined, and it is not clear when it will be determined considering the approach of the United States. So we should not sit idle until this process begins, which will take at least five to six years to complete.

The right way is to conclude bilateral and multilateral free trade agreements, especially with neighboring countries and countries of the region, which are main export markets of our own, as we try to begin accession negotiations. A relatively good work that has been done over the past few years is the process of full membership of Iran in the Eurasia Customs Union, which consists of Russia and the states of the former Soviet Union, which is potentially a good market for us. I hope that the accession process will be accelerated. However, unfortunately, there is no good news about the approach adopted by the relevant ministries about our accession to Eurasia. In other words, by adopting a very conservative and narrow stance, they are trying to minimize the scope of Iran’s presence in this union. They have also dropped many Iranian goods from the membership list of Iran or from the tariff account of free trade.

This is misconduct. If we want to join a multilateral free trade agreement and make our sensitive list so long that our white list or supplementary list would include a small amount of our business dealings with these countries, this would dismantle the effects of that agreement. So if we want to move that way, it will be symbolic and formal work. But if we do this with maximum interactive outlook, it is a good move, and we must work with other countries in the region to enter into bilateral and multilateral trade agreements. Iran is the only obstacle in the way of implementation of a preferential trade agreement with ECO or ECOTA. ECOTA has been ratified by all member countries except Iran and this shows that there is no intention on behalf of the relevant ministries and their respective authorities to enter into these commercial blocs. Actually we are isolating ourselves with our own hands.

What are some practical steps in providing the conditions for joining trade agreements from your perspective?

The first point to note is that the level of power and authority of our government in diplomatic engagement with the world is lower than the standard of other countries. The government is engaged in diplomatic interaction with its hands tied. See what happened to the JCPOA (Iran Nuclear Deal)! This deal was perhaps the only case in the last decade, and perhaps over the past 15-16 years where the government was able to create a high-level consensus for diplomatic engagement. When this was achieved see how much obstruction has been made in the government’s work.

Now, as you see we make no progress in other diplomatic approaches where we do not have such consensus. The main issue is that the level of government authority and decision making power should be the same as other governments, so that it could have an outlook and maintain policymaking power. The second point is that, unfortunately, we do not have any strategic economic development plans so that we could determine which sectors of the economy need production and investment and in which areas we should work since we do not have these strategies, we cannot succeed and concentrate in the negotiations. We want to support all our industries and not give any concessions. Obviously this is not the way you should deal with the world!

The world says I give you a point, and you give me a point, while we want them to give us concessions without compensating; this is not the way to enter into regional and international business agreements. Why do you think we have this problem? Because we even do not know how to deal with ourselves. For example, we want to support both steel industry and auto manufacturing; we want to support both petrochemical industries and textiles. We should make it clear what industries we intend to support and what industries not to support so that our partner economies would know that we have made up our mind and that these industries are our strategic industries where we would give less concessions and want more concessions from you. And the rest are not important and we would give you more points.

On the other hand, we have a strategic gap in economic development, and the government, unfortunately, has not dealt with this issue professionally. Even we as the chamber proposed that we are ready as the private sector and with the help of internationally acclaimed advisers to formulate strategic economic development plan for the country but the government has not expressed its consent to this issue and has not welcomed the idea.

The next point is that we, as the private sector and, on the other hand, the government’s economic apparatus, and in particular the Ministry of Industry, Mine and Trade and the Ministry of Agriculture, stand on the two sections of the trade policy. We must sit down and draw the boundaries of bilateral and multilateral agreements and assign the missions. After that, we must create the resolve in these two ministries in coordination with the Foreign Ministry, so that we can proceed firmly and resolutely to close these agreements within a certain time and enter Eurasia. We must proceed towards institutionalization of our free trade agreement with Pakistan; try to sign a free trade agreement with Iraq and Afghanistan. In the meantime, we need to forge an interactive approach with the Persian Gulf states.

I am an advocate of interaction with the countries of the southern Persian Gulf. We should also take advantage of the existing conditions and kick off economic negotiations with the European Union. We are not in a good position now, but we have the conditions to start the negotiations.
Why is Afghanistan at the top of the record-breaking countries injecting money into Iranian industry, mining and trade sectors?

First, I must correct this figure. Afghanistan ranks first in terms of number of licenses but it is not the first in terms of total sum of licenses in the first 9 months of 1396 (March-November 2017) to foreign investors. According to the data, Germany is the first country to invest in Iran followed by Ireland and China. As for China, I must explain that the volume of China’s investment is due to an increase in the car industry. In addition, we want to generalize the investment of a foreign country in production and assembly of automobiles inside the country. China has taken this point into account and they do not have no extra money has entered the country.

It was an investment that I think was made six or seven years ago, and it seems that it was very profitable by the foreign investor. What they did was to reinvest the profit instead of pulling out of Iran after receiving the required permits from the Investment Organization. Of course, this is a good thing, but there is no new investment in the country. In any case, Afghanistan is not among the first few countries investing in Iran and, of course, we do not expect a high amount of Afghan investment projects in Iran.

Naturally, countries that have a more mature financial and monetary market and own multinational corporations, and conduct their investments with professional systems, would usually invest higher amounts in other countries. A country like Afghanistan or Iran and other countries in our region are less likely to engage in production. Some Afghan investors are interested in investing in Iran than citizens of other countries. Secondly, it shows that their risk perception of investment in Iran is lower than that of citizens of other major investing countries in Iran, which means they feel the risk is lower. It seems the reason for this is also an analogical perception, that is, they compare Iran with their own country, and it is natural that the risk of investment and overall credit risk of Iran are lower than Afghanistan. So with this outlook, an Afghan would think that Iran is a safer and better place to invest than Afghanistan; but a German, a Frenchman or a Chinese would not feel the same way. For the same reason their investment size is lower. Nevertheless, considering the size of their companies the volume of their investment in Iran is higher.

Another point that contributes to the multiplicity of Afghan investment projects in Iran is its neighborhood with our country, easy travel of Afghans to Iran and other concessions they get by investing in Iran, including long-term residence permit, while without investment they should acquire visa every time they travel. Therefore, investing in goods worth $10 million annually to maintain our security and sometimes the security of our neighbors, the attractiveness of investment in Afghanistan is increased by millions of dollars on investment; in other words, not investing in their countries will lead to a decrease in capital generated by the investment in the country. In any case, Afghanistan is not among the first few countries investing in Iran and, of course, we do not expect a high amount of Afghan investment projects in Iran.

Which sectors of the Iranian economy are more attractive to investors in Afghanistan?

Afghans are investing more in our small and medium industries. I do not remember any case where Afghans have invested in long-term or large investments. As I have seen, Afghans are investing in producing consumer goods that may be more suitable for the Afghan market. For example, they make bags, shoes, some construction materials, some foodstuff or some agricultural investment in small amounts like several hundred thousand dollars to few million dollars. Afghans make these investments based on their expertise and experience. Some of them have done the job in Iran for long years either by working in business units with Iranian employers or through informal partnership with Iranian employers. Some of them have made their business formal and are engaged in production. Some of these Afghans have become partners of Iranian units and investors. For example, I know that Afghans have made investment in chemical industry and mining sector.

How can we attract foreign investment?

In order to attract foreign investment, we should remove security and political glasses from our eyes and put on economical glasses; we should turn our interaction with our neighbors and with the world economy-oriented; we should speak to the world in economic language; we should adopt an interactive not defensive or security approach in our negotiations with the world. Of course, saying this is simple, but the paradigm shift that now dominates our relationship with the world is very difficult in practice and requires strong resolve and consensus, however, this change is imperative. If this paradigm shift occurs, the barriers in the way of attracting foreign investment will gradually be lifted; our relationship with the world and the monetary banking system will improve; our risk level will decrease; and negative propaganda against Iran will decline. It is very disturbing that the world media keep spreading negative news about Iran. There are some bottlenecks but a main part of the propaganda is exaggeration.

Since we do not have economic interaction with the world their approach too is not economic. They also engage in political work in any way, including using their mass media tools. We need to change this approach in the world media; we should introduce the true face of Iran and promote tourism and investment in our country so that tourists and investors will come to see Iran and invest. In addition, we should make reforms in the economic structure and liberalization: the status of the rates of energy carriers must be determined; the fate of restricting investment regulations should be decided, and the government policy in determining in imposing prices should stop because foreign investors will not tolerate imposition of prices by the government. The banking system should also be reformed to reduce its risk and the international banks will work with us.

The inflation rate must be checked and the monetary and financial policies must be reformed as well. We have a huge job to accomplish to make Iran attractive to foreign investment. Our membership in the World Trade Organization, conclusion of bilateral agreements on free and preferential trade and refraining from applying double taxation can make Iran more attractive to foreign investors. Of course, handling any of these cases would take years, and during this time attractive opportunities for investment in Iran would be wasted. Therefore, this process should not take too long, because the countries of the region are competing with us, and if similar investments are attracted in our neighboring countries, the attractiveness of investment in Iran would somewhat diminish.

Investment attraction in a regional country will lead to a cut in attractiveness of investment in neighboring countries.
A senior economist says when the economy is run by people who do not believe in the free features and phenome
nalization of the economy, the economy will be plagued by the spread of conflict of interests.

As an example, Dr. Morteza Imanirad cites the instrumentalist outlook about the economy and the fact that the economy is viewed as a subdivision of the larger political system.

Imanirad believes that conflict of interests exists in all countries and situations, but the question is whether the conditions are ripe to turn virtual state into an actual situation. According to him, several factors contribute to a growing conflict of interests. One is when people do not have a bright and promising perspective on their future. Second is when inefficient state institutions cannot keep their personnel satisfied and the third state is when people use public resources and facilities to serve their own personal interests. But even more important than these three factors are the shape and formation of some economies that continually lead to the disregard of public interests and pursuit of personal interests.

In the following interview, Imanirad speaks about the negative impact of conflict of interests on competitiveness. According to him, the priority of personal interests to the public interests will always reduce the efficiency of the economy as a whole, as this phenomenon becomes wider the economy and the competitiveness of the economy become weaker. But the problem gets worse when unfortunately governments pay attention to the effect rather than the cause and thus increase their involvement in the economy. But state-sponsored economy itself is a source of corruption and augmentation of the conflict of interests, and this cycle of recurrence continues.

When and in which economies does the conflict of interests occur?

The question that at what times does the conflict of interests takes shape or spreads differs from one country to another and from one individual to another. The crucial point is at what time this conflict turns into actual state from virtual state. The times and the circumstances in which the conflict of interests expands are very extensive, but I would like to mention a few of them.

First, when a country is stuck in a state of underdevelopment, and when the effects and fruits of development and progress of the society are not known and are not tangible or they do not exist, a person would lose his affinity to the society and think of his own interests. The tendency to use public resources for personal gains at a time when a person does not have a clear and promising perspective about the future is far more than the time when the prospects for the future of the country’s economy are clear. The second case is when government agencies have very low efficiency for numerous reasons, or they cannot adequately satisfy their staff. In this case, the misappropriation of public services for personal gains is widespread and the conflict of interests goes deeper and wider. The third mode is when some people with clear intentions and through the influence of authorities in state-run systems acquire information, resources, and facilities and use them for their own personal goals. These abuses are entirely deliberate and not subject to specific conditions. In some cases, the action becomes so prevalent that it is no more considered to be inappropriate, but rather described as a smart move.

Because when in the state system and in public service providers the salaries and benefits of the employees are not paid on the basis of meritocracy, individuals will meet their needs by using public facilities. Particularly in developing and backward countries, if for some reason they are lagging behind due to working in governmental organizations and are given lower ranks compared with their friends and acquaintances, they would tend to use public resources and facilities for personal gains. These are some of the conditions that create conflict of interests.

But I have to mention another very important factor. The form and formation of some economies is continually leading to the overlook of public interests and the pursuit of personal interests. In other words, there is a growing conflict of interests in economic formation.

Of course, this section is not unrelated to the conditions and times described. When the economy is run by the people who do not believe in the free features and phenotypicalization of the economy, the economy will be plagued by the spread of conflict of interests. An example is the instrumentalist outlook about the economy. In this view, the economy is seen as a subdivision of the larger political system. In addition to this, governments and establishments that seek broad plans and expand governmental organizations unwittingly provide the ground for the spread of conflict of interests in the country. The more the economy moves in the direction of freedom of action of economic activists, the more limited becomes the possibility of conflict of interests in state-owned systems.

What is causing conflict of interest in Iran? What factors have prepared the ground for creation of this level of conflict of interests?

The same factors that I mentioned in reply to the above question are reasons for a conflict of interests in Iran. Most of the conditions mentioned in the previous question, unfortunately, exist in Iran. We have formulated the economy in a way that it serves politics more than the people. When these conditions unfold for the economy, it is natural that the economy is coupled with centralism and with control.
In this situation, the economy is heavily politicized, and the result is an increase in conflict of interests. Aside from that, the basic needs of families during this period are not well provided. Healthy courses for generating incomes are blocked, unemployment rises, and all these factors create the platform for this conflict. When these reasons begin to work, they do not require them to continue, because these reasons are so strong that they do culture building, and hence the ruined culture becomes dominant.

When we go into the root cause of our current economic problems, we find a conflict of interests. What is the share of the rules and regulations in creating this situation?

There are few issues in the Iranian economy that create this problem, and I think that until these issues are resolved, the issue of conflict between personal interests and the public interest would remain. This problem not only is not solved but gets bigger every day. When such a problem grows, it becomes a habit and certain cultural criteria are developed for that purpose. In other words, the growth and spread of corruption and the provision of personal benefits lead to the creation of norms in the economy, which, like an avalanche, gets bigger and bigger every day.

I will briefly explain these factors; first of all, the prospect of development in the country is not clear. The harder it becomes to realize this outlook the higher the desire to serve personal interests. Secondly, the Iranian economy has long entered the modern world. The government, the parliament, the market and other systems are of a modern character. In the aftermath of the revolution, we did not have modern knowledge to handle these issues; so we used traditional management methods for administering modern relations. Fourthly, the economic inefficiency and the economic line of thinking after the revolution made the market weaker and weaker every day. In contrast, the public sector grew bigger and bigger, making the scope of public goods, whether efficient or ineffective wider. The expansion of the public goods sector causes the enlargement of the public service providers, making the situation more attractive for taking advantage of these benefits. A few years ago, the World Bank conducted a study which showed that as governments become larger corruption in those countries becomes more widespread, and on the contrary, a stronger market would cause corruption to drop.
Before the revolution to date, we have left behind 12 development plans, but we still have problems in our economy. Criticizing the nature of programming in the economy, Dr. Jamshid Pajouyan believes this method of programming should be abandoned. He believes this outlook about the economy in the world is obsolete. The faculty member at Allameh Tabatabaei University compares the method of economic programming in Iran to that of the former Soviet Union, while disapproving of some of the economic purport of the Constitution. “Part of the country’s economic problems goes back to the Constitution. When they were drafting the Constitution, they did not get help from leading economic experts. The drafting of the Constitution was more influenced by the groups that were influential at the time, like the leftists.”

According to the economist, “our Constitution was influenced by certain dominant points of views at that time, including division of the economy into three sectors: public, private and cooperative. This is foolish!”

In the following interview, Pajouyan discusses a number of issues such as the requirement for changes in the economic provisions of the Constitution, institutionalism in the economy, the need to promote economic liberalism, the negative impact on the economic trend by the leftists and the need for a major economic revolution in Iran.

We have already completed six development plans, but we still do not see any promising prospects in the Iranian economy. What do you think are the reasons?

It would be better to say we have formulated 12 development plans, because we had six plans before the (1979) revolution. However, the texts of these plans are available. At the end of each plan, the economic situation can be evaluated in order to see if these five-year development plans have accomplished even 20-30 percent of their goals.

Economic plans are considered to be unreliable because they cannot foresee. For example, the current state of affairs demands an increase in production of certain products that can be exported. Five years ago, this issue was not predictive; therefore, it was not included in the development plan. That’s why the development plan is silent and worthless. In my opinion, a great stride should be taken in the economy. Despite the experience of more than 50 years of planning in Iran’s economy and the near zero result of these plans, this approach toward the economy must stop and no more development plans should be written. Instead the economy should be based on a series of strategies and goals and attempt should be made to achieve the goals through different tools and formulating a roadmap.

In your opinion, what is the relationship between the economic problems and the Constitution?

Part of the economic problems clearly goes back to the Constitution. When they drafted the Constitution, they did not get help from leading experts on the day’s economic issues. The drafting of the Constitution was more influenced by the groups that at that time had influence, such as the leftists. Of course later, at least some of the Constitutional sabotage was corrected by the order of Leadership. Like Article 44 which was based on a Left and Communist line of thinking. He ordered the start of privatization and specification of the state and private sectors.

This shows that our Constitution was influenced by a number of specific views of the day’s economic issues. The drafting of the Constitution was more influenced by the groups that at that time had influence, such as the leftists. Of course later, at least some of the Constitutional sabotage was corrected by the order of Leadership. Like Article 44 which was based on a Left and Communist line of thinking. He ordered the start of privatization and specification of the state and private sectors.

The drafting of the Constitution, they did not get help from leading experts on the day’s economic issues. The drafting of the Constitution was more influenced by the groups that at that time had influence, such as the leftists. Of course later, at least some of the Constitutional sabotage was corrected by the order of Leadership. Like Article 44 which was based on a Left and Communist line of thinking. He ordered the start of privatization and specification of the state and private sectors.

The activities of these cooperatives are set by the most knowledgeable economists who design the roadmap, such as in the United States, UK, Germany and other advanced countries; of course, we do not have this in our country. We are currently the owner of an economy that has been in recession for many years. Businesses are closed one by one. These firms do not even have the ability to pay their workers’ salaries. Part of the economic problems clearly goes back to the Constitution. When they drafted the Constitution, they did not get help from leading experts on the day’s economic issues.

For this reason, we are seeing protests in the country which are economically motivated but could turn political and security oriented. But why this is happening? Do we have little resources? Are we not rich? Don’t we have specialization? Isn’t it true that Iranian businessmen in the US and in California are so successful that they shut down their workplace on the occasion of the New Year and for their sake? So, we have enough human wealth and sufficient resources. But why should the country be in such a state of affairs? Why should we stand at the bottom of the global list in terms of general social and economic indicators? That’s because our economic management is thoroughly erroneous.

Today the biggest problem of the economy is that we want to solve our structural problems with macro policies. Nowhere in the world is such macro policies associated with the structural problems of the economy. The problem of allocating resources, market problems, and so on, cannot be solved by implementing and applying macro policies. Why should our industry’s return stand at 6%-7% but our trade return stand at 400%? So, under
these conditions how could we expect investment in the industry?

So instead of changing the rules, we need a major economic revolution in Iran!

Yes; of course, we need a major economic revolution in a way that when someone commits an economic crime he would be sentenced to death. This is what is called great economic revolution! If two or three corrupt persons in the field of economy are put on trial many things would be put in order. When a president is impeached because of the deep recession occurred under his administration, he knows that he needs to change those around him who make weak economic decisions in order to solve the problems. They themselves know that it is possible to solve the structural problems of the economy through microeconomic policies - policies that change the allocation of resources; these policies will save us from economic sinkhole not extension of 250 million rials to applicants to purchase cars! By doing so, we deepen the recession. The Parliament has never taken action to question the officials’ wrong economic policies! Payment of loans not only has not resulted in production but contributed to further recession. Has anyone been reprimanded?

In order to improve the situation, two ideologies have lined up against each other today, namely the institutionalists and liberalists. Do you think the problem of the economy is the choice of economic line of thinking?

Today the biggest problem of the economy is that we want to solve our structural problems with macro policies.

You see, this debate is outdated. We sometimes talk about things that belong to the past, like the same institutionalism in economy. This thought (institutionalism) dates back about 50-60 years ago when Professor Friedman raised a new debate in economy, saying that economics was a science that was predictable like physics and chemistry, and in this respect was different from other disciplines of the humanities. By looking at the community, you will witness different ways of thinking, cultures, and ethical behaviors. In terms of literacy and dealing with different issues of life, members of the society act differently from each other. But they share the same view when, for example, the price of an apple goes up they will not buy it. They make this decision irrespective of ethnicity, color, race, etc. The economy, therefore, has the potential to predict.

When this issue was raised, sociologists, namely the same institutionalists, said it must be determined to what institution did the economy belongs, because institution provided us with special possibilities to examine. In my opinion, this is absurd! On the other hand, learning mathematical economics is difficult for some economists! Therefore, the debate of institutionalism is now obsolete. People who cannot analyze mathematical economics and modeling do not have the ability to predict economic problems and practical solutions; for the same reason it’s possible for them to still talk about the institution. But this is not a case for debate in the world today!
Iran’s national squash teams of men and women took part in the 19th Asian Squash Team Championships held at Cheongju, in South Korea, on March 21-25, 2018, where all the great and elite Asian squash teams were present: 16 Asian men’s teams and 11 women’s teams. The national squash teams attended the tournaments along with their entire Iranian non-playing staff including Seyyed Mohammad Hossein Sanaei (national team head coach), Masoud Ziauddini (coach), Fatemeh Sadat Headari (Women’s coach), and Parvandeh Doulatizadeh (Women’s assistant coach) after a long-term planning was made since the beginning of the past Iranian year (started March 21, 2017), and projects implemented since October 2017 and by holding various calls and camps inside and outside the country.

The 7-week camp in Tehran and the 3-week camp held jointly with the Malaysian national team in the Malaysian capital city, Kuala Lumpur, prepared the grounds for the biggest surprise of the tournaments and a historic honor for the Iranian squash.

The women’s team of Iran, which previously had no winning record in its history and nobody took it seriously, managed to be among the top six teams of Asia for the first time with three valuable wins against teams from Singapore, Sri Lanka and the Republic of China.

Ghazal Sharafpour, Fereshteh Eqtehadi, Hadis Farzad (captain) and Aily Nayyeri comprised the female players of the Iranian team in the tournaments.

The men’s team, placed in the group D of the tournaments along with teams from PRC, Thailand and Malaysia, managed to climb to the quarter-finals and be among the top eight teams by scoring two valuable wins against China and Thailand and a 2-1 defeat to Malaysia (one of the champions of the continent) in a 215-minute match. In the quarter-finals, Iran faced Japan.

The death and life game, the most fatal game in the history of the Iranian squash, kicked off at Cheongju Squash Stadium at 10 am on March 23. Japan won the first match 3-0.

In the second match, captain of the Iranian national squad, Navid Malek Sabet, faced his Japanese opponent. While the result was 2-2 and in the final game he was behind his rival 10-8 and Japan only needed one point to win, the Iranian captain managed to change the result at the most breathtaking moments and win the fifth game 12-10 by maintaining his concentration and combat morale and carrying out the tactics instructed by the team head coach, Sanaei, and finish the match 3-2. As a result, rivalry 2-1 and created the biggest surprise of the tournaments and won a historical honor for the Iranian squash by being among the top four teams of Asia.

In the semi-finals, Iran faced Hong Kong, the number one seed of the tournaments and world’s third team, and in a breathtaking game lost to the Asian champion 2-0.

Hong Kong and Pakistan ranked first and second respectively, and Iran and Malaysia jointly won the third place.

Gaining the medal and the third title of Asian championship, which took place for the first time in the history of Iran’s squash and all rocket sports was so valuable and historic that all domestic and foreign media, including the ‘World Squash’ website covered it.

This achievement becomes more valuable when it is fulfilled by young and inexperienced players with facilities incomparable to those of their rivals, and only by relying on and trusting the knowledge of their coaches. It can be daringly said that bagging this medal was beyond the imagination of all.

The men’s team of Iran in these tournaments comprised Seyyed Mohammad Hossein Sanaei (head coach), Masoud Ziauddini (coach), Sajjad Zareian, Alireza Shameli, Navid Malek Sabet (captain) and Samiollah Qassedabadi.

Acquiring these historic titles, the National Iranian men’s and women’s team is going to attend the 2018 Jakarta Asian Games.
Iran Clinches Title at AFC Women’s Futsal Championship

Defending champions Iran claimed a historic second successive win at the Asian Football Confederation Women’s Futsal Championship by defeating Japan 5-2 (May 12). The Iranian outfit faced off Japan at the Indoor Stadium Huamark in Bangkok, following its outstanding performances at the major international tournament hosted by Thailand. Iranian sportswomen had trounced Vietnam on Thursday 5-0, which gave them a smooth entry into the finals.

In the final fixture, Sara Shirbeigi scored 3 goals for Iran. Fereshteh Karimi and Fahimeh Zarei jabbed Iran’s fourth and fifth goals, and thus secured the team its second successive championship title at the tournament.

The 2018 AFC Women’s Futsal Championship, which is the second edition of the international event, started on May 2 and wrapped up on May 12, 2018.
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. (RailCam)**
A leading optic fiber company
Tel: +9821 4286 1700

**I-seema**
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

**Farsvaghar Etemad 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
Tel: +9821 4286 8030
A Time for Action

By: Ahmad Azimi

The uprisings of 2011 ushered in a period of unprecedented change in the Middle East and North Africa. While demands for political transformation commanded the world’s attention, those calls were largely motivated by unresolved socioeconomic issues. Demonstrators in the streets of Cairo and Tunis demanding “bread, dignity, and social justice” expressed widely held aspirations for basic economic rights, along with greater prosperity and equity.

Almost seven years later, notable progress has been achieved in terms of public finance reforms. However, these reforms still have a long way to go to reduce disparities in the distribution of wealth within most countries of the region or narrow the development gaps between them. Protracted regional conflicts, low oil prices, weak productivity, and poor governance have inflicted a heavy toll. Growth has not been strong enough to reduce unemployment significantly; a staggering 25 percent of young people are jobless.

As a result, countries in the Middle East and North Africa now face a stark choice between short-term retrenchment and resolute pursuit of the long-term reforms needed to secure their future economic prosperity. Forsaking important economic adjustments needed to strengthen inclusive growth and modernize the state and private sectors would set the region back, possibly for decades. A healthy global economy provides a welcome opportunity to accelerate the pace of reform.

While countries in the region have maintained macroeconomic stability, growth has been far too slow to keep pace with an expanding population, with the result that unemployment is rising. Economic growth has averaged just 3.6 percent a year since 2011, a pace one-third below that of the previous decade. The overall unemployment rate of 10 percent does not appear alarming, but it ranges from less than 1 percent in Qatar to more than 18 percent in Jordan, and women and youth are disproportionately affected. Maintaining the status quo will only make things worse. The IMF estimates that if growth continues at its post-2011 pace, average unemployment could rise above 14 percent by 2030.

Furthermore, conflicts in Afghanistan, Iraq, Libya, Syria, and Yemen have taken a tragic toll: half a million people are estimated to have died in these conflicts since 2011. In Syria alone, 12 million people have been displaced. The economic impact has been devastating: homes, hospitals, roads, and schools have been damaged or destroyed, with an estimated cost four times the countries’ preconflict GDP. The exodus of refugees from conflict areas is adding considerable pressure to budgets, infrastructure, and labor and housing markets in host countries, such as Lebanon and Jordan. The conflicts have also disrupted trade, tourism, and investment.

Oil-exporting countries, meanwhile, are grappling with a steep decline in energy prices that has led to large fiscal deficits and a decline in growth. On average, deficits increased to more than 10 percent of GDP in 2016, and public debt has doubled to more than 30 percent of GDP since 2014. Still, these figures mask significant deficit-reduction efforts. The non-oil primary balance—which excludes the impact of oil prices and can be seen as the fiscal effort undertaken by governments—has improved by more than 12 percentage points of GDP since 2014.

Budget deficits also remain elevated in oil-importing countries, even though these countries are benefiting from lower oil prices. Deficits exceed 6 percent of GDP on average, and debt levels surpass 90 percent of GDP in Egypt, Jordan, and Lebanon. Although these countries have managed to reduce deficits enough to maintain economic stability, they need to make additional resources available to address social and development issues. Growth is projected to increase to more than 4 percent this year as a result of stronger private consumption and exports.

Development Plans

Policymakers in the region recognize the need to generate more employment and stronger growth and have added these goals, along with better inclusion, to their national development plans. If all were executed, these plans could go a long way toward meeting those goals. Recognition of the need to grant equal rights to women and better integrate them into the labor force will be particularly important. Recent moves—including Saudi Arabia’s decision to allow women to drive—are steps in the right direction, but more is needed. Education and labor market policies will also be key, given that about 60 percent of the population is under the age of 30. With proper opportunities and education, the region’s young people could fuel unprecedented economic growth and generate a demographic dividend like the

Global Economy

By: Ahmad Azimi

The uprisings of 2011 ushered in a period of unprecedented change in the Middle East and North Africa. While demands for political transformation commanded the world’s attention, those calls were largely motivated by unresolved socioeconomic issues. Demonstrators in the streets of Cairo and Tunis demanding “bread, dignity, and social justice” expressed widely held aspirations for basic economic rights, along with greater prosperity and equity.

Almost seven years later, notable progress has been achieved in terms of public finance reforms. However, these reforms still have a long way to go to reduce disparities in the distribution of wealth within most countries of the region or narrow the development gaps between them. Protracted regional conflicts, low oil prices, weak productivity, and poor governance have inflicted a heavy toll. Growth has not been strong enough to reduce unemployment significantly; a staggering 25 percent of young people are jobless.

As a result, countries in the Middle East and North Africa now face a stark choice between short-term retrenchment and resolute pursuit of the long-term reforms needed to secure their future economic prosperity. Forsaking important economic adjustments needed to strengthen inclusive growth and modernize the state and private sectors would set the region back, possibly for decades. A healthy global economy provides a welcome opportunity to accelerate the pace of reform.

While countries in the region have maintained macroeconomic stability, growth has been far too slow to keep pace with an expanding population, with the result that unemployment is rising. Economic growth has averaged just 3.6 percent a year since 2011, a pace one-third below that of the previous decade. The overall unemployment rate of 10 percent does not appear alarming, but it ranges from less than 1 percent in Qatar to more than 18 percent in Jordan, and women and youth are disproportionately affected. Maintaining the status quo will only make things worse. The IMF estimates that if growth continues at its post-2011 pace, average unemployment could rise above 14 percent by 2030.

Furthermore, conflicts in Afghanistan, Iraq, Libya, Syria, and Yemen have taken a tragic toll: half a million people are estimated to have died in these conflicts since 2011. In Syria alone, 12 million people have been displaced. The economic impact has been devastating: homes, hospitals, roads, and schools have been damaged or destroyed, with an estimated cost four times the countries’ preconflict GDP. The exodus of refugees from conflict areas is adding considerable pressure to budgets, infrastructure, and labor and housing markets in host countries, such as Lebanon and Jordan. The conflicts have also disrupted trade, tourism, and investment.

Oil-exporting countries, meanwhile, are grappling with a steep decline in energy prices that has led to large fiscal deficits and a decline in growth. On average, deficits increased to more than 10 percent of GDP in 2016, and public debt has doubled to more than 30 percent of GDP since 2014. Still, these figures mask significant deficit-reduction efforts. The non-oil primary balance—which excludes the impact of oil prices and can be seen as the fiscal effort undertaken by governments—has improved by more than 12 percentage points of GDP since 2014.

Budget deficits also remain elevated in oil-importing countries, even though these countries are benefiting from lower oil prices. Deficits exceed 6 percent of GDP on average, and debt levels surpass 90 percent of GDP in Egypt, Jordan, and Lebanon. Although these countries have managed to reduce deficits enough to maintain economic stability, they need to make additional resources available to address social and development issues. Growth is projected to increase to more than 4 percent this year as a result of stronger private consumption and exports.

Development Plans

Policymakers in the region recognize the need to generate more employment and stronger growth and have added these goals, along with better inclusion, to their national development plans. If all were executed, these plans could go a long way toward meeting those goals. Recognition of the need to grant equal rights to women and better integrate them into the labor force will be particularly important. Recent moves—including Saudi Arabia’s decision to allow women to drive—are steps in the right direction, but more is needed. Education and labor market policies will also be key, given that about 60 percent of the population is under the age of 30. With proper opportunities and education, the region’s young people could fuel unprecedented economic growth and generate a demographic dividend like the
Global Economy

one that propelled the Asian Tigers a few decades ago. Governments are making efforts to stimulate trade and investment. Many countries—e.g., Jordan to Saudi Arabia—have reduced trade barriers. Morocco and Tunisia have joined the G20 Compact with Africa aimed at promoting private investment, which should help improve infrastructure. Jordan, Morocco, and Tunisia have made efforts to diversify their manufacturing bases, supporting exports and jobs. Morocco, for instance, has attracted automakers, including PSA Peugeot Citroën and the Renault Group, by providing good infrastructure, power supply, and skilled labor. As a result, its automotive sector aims to create 90,000 jobs by 2020. How much more growth could more trade bring? The IMF estimates that if the region matched its best one-year improvement in openness so far, the average annual pace of economic growth would rise 1 percentage point over the next five years, compared with a baseline forecast of 3.3 percent.

Job Creation

Governments are also putting job creation at the forefront of their policy agendas. These plans aim to develop the private sector by providing better opportunities for youth and women and increasing access to finance. They also seek to provide public services, improve transparency and accountability, and contribute higher and more efficient public spending. Many of these themes were already at the forefront of the debate as leaders gathered in Amman to define policies and innovations in technology help create a favorable environment for reforms.

Fortunately, stronger global growth and innovations in technology help create a favorable environment for reforms. With 60 percent of the region's population using mobile phones, financial technology presents an opportunity to give more consumers access to finance because banks could more easily launder and terrorism financing. Some countries have already shown nonbanks to enter this space. Regulators should provide the resources and legal authority to improve transparency and financial management while also fighting corruption.

The devastation of war poses the gravest test of all. Refugees need food, housing, education, and help finding jobs; host countries can’t afford to bear these burdens alone. When conflicts end, the next task will be to mobilize the resources needed to rebuild infrastructure and institutions and bring displaced people back into the labor force. Postconflict countries tend to experience volatile patterns of financing. Strong coordination at the international level will be needed to ensure adequate support. Official financing should come in the form of grants, or on highly concessional terms, and needs to be complemented by significant private sector flows, including donations and remittances.

There is little doubt that the region is at a crossroads in its modern history, with potentially significant consequences for global prosperity. There has never been a more critical time for policymakers to focus on empowering a sizable pool of untapped talent. Progress will be limited if women, who represent half of the population, do not have opportunities to succeed. Transition will therefore not be sustainable without accelerating the pace of reforms, with economic inclusion as the primary goal. The global recovery provides a unique opportunity, and when peace returns to the region, the impact of these reforms undertaken today will be magnified many times over. Action therefore is needed now to raise growth and living standards in a sustainable fashion and meet the aspirations of the people in the region. Inaction would be disastrous and would mean continued economic stagnation, rising unemployment, social tensions, and protracted conflict. Now is the moment to move from goals to action.
Two Challenging Triangles in Iranian Economy

Tehran Chamber of Commerce Board members in their last formal meeting in the Persian calendar year 1396 (ended March 20, 2018) analyzed the economic drawbacks in Iran. In their opinion, the year 1396 ended under conditions that unemployment and lack of production boost in certain industrial fields are still among the most pressing challenges.

They noted that despite the relative stability provided by the one-digit inflation, these two above-mentioned factors continue to exist due to "declining investment growth," "difficult and expensive access to loans," and "reduced competitiveness of domestic goods versus foreign goods".

But what is the root cause of these three factors? Economic activists blame the economic dilemma on three financially motivated main factors. "Government’s erroneous foreign exchange policy," "Disorder in banking system and monetary policies," and "Growing budget deficit and government debts to all sectors of the economy," constitute the triangles of financial challenges.

Meanwhile, the government’s wrong decisions on the question of foreign exchange which continue to be enforced, is a source of great concern of economic activists these days. Commenting on this issue, Masoud Khansari, Chairman of Tehran Chamber of Commerce, Industries, Mines and Agriculture (TCCIMA), said: "One of the main reasons for the economic turmoil in the country is the wrong decisions taken about the foreign exchange." At the same time, in the eyes of some economic activists, the government’s wrong foreign currency policies have contributed to inflation in the currency market. That’s why the TCCIMA is preparing a letter to President Hassan Rouhani, offering an analysis of the developments over the past two to three months and outlining the country’s economic problems.

Without a reasonable engagement with the world, development will not be realized, and at present, the dominant discourse of China should determine where the country is supposed to stand in the global value chain.
Central Bank statistics show that the country’s economic growth during the first half of 1396 was 4.5 percent, with the highest growth going to the oil sector. The two groups, “commerce, restaurants & hotel accommodation” and “transportation, warehousing and communications” also recorded high growth during the first half of 1396. Accordingly, considering the importance of these activities in job creation and dynamism in other affiliated industries, it seems necessary to pay more attention to these activities, especially in the big cities of the country, in order to realize the high potential of economic growth.

Khansari described the growth of gross fixed capital formation in the country in the following words: Capital formation has been negative in the country since 1390 (2011-2012), and this trend continued until the first half of 1396, which has now reached zero with slight improvement. This course is an indication to the country, although investment growth in the country is not desirable at all. The TCCIMA estimates that eliminating barriers in the way of the private sector investment, updating production lines and developing new products, with emphasis on exploiting new technologies, especially the path to attracting foreign investment, are among measures that can improve the investment growth.

He also talked about the positive trend in the value added in the construction sector from the second quarter of 1396. He said: “We noticed negative economic growth in the construction industry for several years, but in the second quarter of 1396, the added value of the construction sector was positive.”

Khansari referred to liquidity as another economic indicator and said: “Liquidity in December was 14,450 thousand billion rials, which has grown by 22% compared to the previous year. Of course, the growth rate of 1396 has been negative compared to the same period the year before. The decline in the liquidity rate is increasing, but the problem, however, is that liquidity is still rising.”

Currently, the public sector debt to the Central Bank, as one of the factors influencing the growth of the monetary base and, consequently, inflation, has reached more than 630 trillion rials in 1396 and the banks’ debt to the Central Bank is equal to 1,130 trillion rials with the growth rate being less than the previous year.

Commenting on the 9-month performance of the budget, he stated: “We have recorded 91% increase in development budget compared to last year but unfortunately the government’s current spending has grown as well, which is a disadvantage in the budget. The government was supposed to be downsized but we notice growth in government’s current expenditure.”

According to Khansari, the production index of large industrial workshops in the first half of the year grew by 4.9 percent. Although some industries recorded growth but 11 industrial sectors are still in recession and their growth is negative. Evaluations show that for two consecutive seasons or more, the activities of the textile, apparel, leather, pharma- caceutical, machinery and equipment manufacturing, non-motor vehicle manufacturing, and the repair and installation of machinery and equipment industries all faced recession or reduced output.

The TCCIMA chief, referring to the trend in Iran’s trade with Europe, said: “Trade in goods had grown 52 percent hitting 21 billion euros. The TCCIMA estimates that 2 billion euro rise in Iran’s trade balance with Europe was a major success over the past year. With the presence of more countries such as Turkey and Saudi Arabia in the European market and the multiplicity of their trade volume with the European Union, it is hoped that in the coming year, while enhancing diplomatic activities, the trade volume with Europe will double with more emphasis on increasing non-oil exports.

Commenting on IMF estimates on Iran’s current account balance, Khansari said the fund has estimated Iran’s current account balance for 2017 at $21.6 billion, up over $5 billion from $16.4 billion in 2016. The figure is expected to reach $23.4 billion in 2018, which is a positive development. It is noteworthy that in 2017, Iran ranked fifteenth in the list of 188 countries in terms of having a positive current account.

Lessons Iran Should Learn from China

The second part of the TCCIMA meeting focused on development of the Chinese model and its lessons for Iran.

Mohsen Shariatinya, a faculty member at Shahid Beheshti University, presented the results of his research project on the lessons the Chinese model of development had for Iran. Noting that China was able to achieve significant growth within a short period of time, he added: “The foreign trade of the country was estimated at around $20 billion in 1978 but today it stands at $3 trillion. China today is a trading partner of 120 countries.”

On the question of how China’s political economy changed and what lessons Iran could learn from the Chinese development model, Shariatinya said reforming of social contracts, prioritizing gradualism to shock therapy, reform of the foreign policy, prioritizing liberalization to privatization, movement from self-sufficiency to the context of global value chain, as well as reform in and privatization of state-owned enterprises, accession to the World Trade Organization and the sharing of power with the private sector were among the measures taken by China. He also said that an important part of China’s success in development is due to rethinking of its interaction with the world. Without a reasonable engagement with the world, development will not be realized, and at present, the dominant discourse of China should determine where the country is supposed to stand in the global value chain.

Private Sector and the Government Accountability!

Mansour Khansari, Chairman of Tehran Chamber of Commerce, Industries, Mines and Agriculture says that the essence of expert opinion is sometimes criticized, and therefore it is necessary today to remind the government of some points concerning the determination of the policies of the new Persian year 1397 (starting March 21). The Iranian people, behind the year 1396 (ending March 20, 2018), under conditions that economic problems such as unemployment, production, the banking system crisis, foreign exchange prices, subsidies and the like, and the pressures caused as a result had made life miserable for them, especially for the low-income groups.

On the other hand, some economic decisions not only did not lead to a definitive improvement of the general economic and social conditions of the country, but also led to the creation and intensification of the problems. The experience of the past years shows that we should look at the daily economic decisions in a wider scope and in a different way from the past.

The fact is that despite the government’s positive measures to facilitate business conditions, the social environment is still not favorable for long-term economic activities, especially for productive activities. The three variables of “unpredictability”, “the low level of stakeholder participation in decision making and policy making process,” and “the continuation of inefficient policies without clear and promising prospects”
Approaches for Supporting National Production

Although over the past years economic activists, especially private sector activists, have been receiving sudden shocks from overnight and spontaneous decisions of the government, they maintain that setting the rate of $42,000 rials per US dollar will bring a new shock to the market with unknown consequences. Of course, emphasis on enforcing a single rate currency is something that has been raised for many years by economic experts and economists because the turbulent exchange market has overshadowed the possibility of any trade forecasts for the future, leading to the closure of the market and businesses.

Economic activists with the Chamber of Commerce believe that the government repeats past mistakes and does not consult on important market-based economic decisions that involve private sector players as actors in the economic field. This is happening under conditions that the government must put aside political differences and abandon monopolism in pursuit of the New Year motto, namely support for domestic products.

In this regard, President of Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA) Gholamhossein Shafei, speaking at a recent session of the chamber, said production in the country faces the wrong assumption about production and the powerful beneficiaries who would not share their interests with production. He also criticized the political differences that harm national production, and urged the government to abandon these differences.

Also, Masoud Khamarsi, Chairman of Tehran Chamber of Commerce, Industries, Mines and Agriculture (TCCIMA) criticized the current economic situation in the country, saying that the price of $42,000 rials for one US dollar is definitely not real, but at the same time, the government’s conditions too must be understood because now this economic decision has turned into a security issue and everyone should help implement it.

He also announced at the meeting that the foreign exchange rate for exports has been more of rent seeking nature and has stripped the country of the ability to move. This has turned into destructive actions in the country and unfortunately caused great damage.

Shafei, the chairman of the private sector parliament, said the presence of some powerful beneficiaries whose interests are not linked to the national interests, has added to the problems and has stripped the country of the ability to move. Noting that there is no coordination between economic experts and activists in the field, he said parallel work between the economic experts and activists in this
Point 2: According to many experts and entrepreneurs, due to its heterogeneous development, Iran’s economic policies and decisions in the current decision-making landscape, the Iranian economy will not be able to play a role in the global economy fitting its potentials.

The principle of selected and concentrated concentration requires focusing on goals and avoiding the decision-making and its lattering of organizations and institutions all of which consider themselves custodians of the economy but are not willing to accept their true share in society and are not accountable. In such circumstances, we need national unity and understanding; an alliance for national interests as a common goal, so that the society will fully believe and feel this unity in order to establish national resolve in this movement.

Point 3: A powerful government is different from a government that intervenes in the economy. A powerful government does not mean a government that spends all its budget and resources on its current expenses and seeks state employment. The government should be a developer and by formulating plans and strategies and effective economic policies put the economy in order.

Noting that the economy needs a roadmap, Shafei said long-term planning in the economy is important in production and needs planning to pass through the status quo.

The chairman of TCCIMA also emphasized on the necessity of creating a national dialogue to determine the fate of the hard currency pricing formula, saying: “Once and for all, we have to close this exchange rate dossier.” Shafiari, referring to the recent government foreign currency decision, said: “What we have experienced as a routine in the Iranian economy is that whenever the government’s foreign exchange reserves were in good shape it injected money into the market and whenever it was short of foreign exchange it has lost control of the market leading to price rise. This has happened again. Of course, over the past 40 years, we have never wanted to resolve this issue.”

He added: “Instead of considering the issue of foreign currency as an indicator, we made a taboo out of it and have announced that we should not agree with increase in its price. This is under conditions that nobody is protesting against the rise in the price of housing and gold coins. Because we thought the hard currency was a cause and not effect; we became sensitive about its price; this is while the price of foreign exchange is an effect.”

Khashari said: “In the years after the (1979) Revolution, the average inflation rate in the country was 20 to 22 percent but the price of hard currency was increasing proportion to the inflation rate. Therefore, even when we fetched $700 billion in foreign exchange revenues and injected money into the economy, the exchange rate has not been real. This resulted in a situation that in 1390 (2011/12) the prices tripled.”

He said that the most important argument that seems to require a final decision once and for all by the establishment is the exchange rate discourse, the price of which should be verified by a certain formula so that when there is turbulence in the currency market, all economic norms would not collapse.

Political Differences & Capital Outflow

The member of Presiding Board of ICCIMA added: “Since 1992 when the 11th government came into power, the price of foreign currency had always remained fixed but the injection of ‘exchange currency’ led to an unreal currency price. But anyway, the tight spring of foreign exchange was let loose and this year, unfortunately, in addition to economic issues, there are other issues, including political differences and capital outflow.”

Khashari said the value of capital growth has been negative since 1390 (2011/12) while the assets of the country have been decreasing day by day and negative investment growth has occurred, while capital outflows have also taken place which showed themselves in recent foreign exchange events. He said the sanctions, international developments and the banking restrictions coupled with the expected withdrawal of the United States from the Joint Comprehensive Plan of Action (JCPOA) in May were effective in the sharp exchange rate fluctuations. He said: “Although the rate of one US dollar reached 60,000 rials but no transactions took place because there was little supply. Even transactions of $10,000 would raise the rate.”

On the other hand, some exchange shops were shut down in Dubai, and the levying of 5% tax on authorized dealers in the UAE disturbed the Iranian market because many transfers were made through the same exchange shops.

He stressed that spontaneous decisions are not effective in the Iranian economy anymore and we need to stop making no decisions on time.

How to Support National Production

ICCIMA’s chief announced the 10-point approaches of the private sector in support of production and Iran made goods, as follows:

Point 1: One of the important factors in not achieving economic development is lack of proper interaction between thinkers and researchers in economic, social, and technical areas, as well as entrepreneurs and executive authorities, and drawing a line between their performance in the country so that each group has taken its own road in the absence of coordination and cooperation with each other.

Therefore, considering the opportunity that has been created under the status quo approaches should be developed as soon as possible in order to create interaction between thinkers. The government should act coherently, attract confidence, eradicate uncertainty, make new reforms with unity and far from the prejudices of the economic and political schools and make sure that they should spur power with a spark and perpetuate it with national will and determination.

Point 2: Accordin
Economy

Observing the Rules of Competition in Iranian Economy

In the eyes of former chairman of Iran Chamber of Commerce, Industries, Mines and Agriculture Mohsen Jalalpur, the activities of the state-owned non-governmental institutions in the economy have not served the interests of the Iranian economy. “Many of these institutions do not pay taxes, their performance is not transparent, they have no productivity and their performance leads to the wastage of non-renewable resources in the country. They mess up competition in the age of non-renewable resources and their performance leads to the wastage of some state-owned public enterprises eventually. You can hardly find a country with such ownership dispersion. Many of these firms are engaged in unrelated activities and have grown to a degree that regulates or undermines economic and international relations.”

According to Jalalpur, the economic activities of governmental and non-governmental organizations have caused the private sector to remain small. Any policy that is exercised, aimed at economic reform in the country, is practically to the detriment of the private sector. Noting that the performance of some state-owned governmental and nongovernmental enterprises is disrupting the competitive environment in the country, he said: “When the rules of competition are not respected, the private sector, which should be the driving force of the economy, falls into the abyss of making losses because it does not have the capability to compete with these corporations.” The private sector activist advises: “Let’s redirect the activities of the general non-governmental public corporations to their main track. It is very important to properly explain the structure of the economic sectors.

How serious is the issue of curbing the economic activities of nongovernmental institutions?

I do not think it is serious. The reason is that the policymakers and decision-makers in the country still do not believe in the economic crises. The government too still does not believe so. The issue is very simple. We are faced with the unemployment crisis of educated youth. In the recent street protests, unemployed young people played an important role. Most of them were born in the 1990s who are gradually withdrawing from the labor market due to growing age. Those born in the 2000s are also joining the first group. Jobs must be created for all the unemployed young people. Otherwise, the government must accept its social, political and security implications. What’s the solution?

The way is to open space for private sector activity. On the other hand, we should improve our relations with the world and determine limits for the activities of the government.

What services do you think the public institutions have rendered to the economy? And what costs have been imposed on the economy, especially on the private sector?

The Iranian economy is officially divided into three sectors: public, cooperative and private, but in practice, there is one state-owned nongovernmental sector as well which should be considered the fourth sector of the Iranian economy.

I do not see positive records in the activities of state-owned nongovernmental institutions. A performance that may have served the national economy. For example, many of these institutions do not pay taxes, their performance is not transparent, they have no productivity and their performance leads to the wastage of non-renewable resources in the country. They mess up competition in the economy, they are engaged in unrelated activities and have grown to a degree that regulates and undermines economic and international relations.”

Almost everyone agrees that the Iranian economy has reached a stage of anarchy and disorder. The reason is that since the formation of the Islamic Republic, private property has always been violated. There are currently a variety of ownerships in our country. We have state-owned nongovernmental organizations; we have public nongovernmental corporations; we have military corporations; we have private companies; we have cooperative enterprises as well; and we also have public enterprises eventually. You can hardly find a country with such ownership dispersion. Many of these firms are not accountable to any institution. They...
The 31st edition of Tehran International Book Fair, Iran’s most important cultural event, was inaugurated May 2, 2018 without the presence of President Hassan Rouhani who is ritually in charge of inaugurating the event. No reason was given for his absence!

As per tradition, the event goes under way at the capital’s Imam Khomeini Grand Prayers Ground or the Mosalla named after the Founder of the Islamic Republic. This year’s expo ran from May 2-12.

Tehran International Book Fair has turned into a landmark book fair in Middle East and Asia after holding 30 editions in a row. Every year in May, an average of 2,500 domestic and 600 foreign publishers participate in the event. The foreign publishers substantially offer their materials in English or Arabic however titles in French, German, Chinese, Korean or Japanese are also available.

In the TIBF event last year, nearly $38 million worth of books were sold. The 31st TIBF was inaugurated in the presence of Iranian Minister of Culture and Islamic Guidance Abbas Salehi and Serbian Minister of Culture and Information Vladan Vukosavljević. Serbia was this year’s Guest of Honor and Tunis was the guest city; publishers from Germany, China, Italy, Oman, Hungary, Austria, Russia and Iraq had their stands at the book fair.

Iran was the guest of honor at the 61st Belgrade International Book Fair in 2016. Some 100 Persian titles have so far been translated into the Serbina language. Serbia publishes 7 to 8 million titles each year.

Iran was the guest of honor at the 61st Belgrade International Book Fair in 2016. Some 100 Persian titles have so far been translated into the Serbina language. Serbia publishes 7 to 8 million titles each year.

In this book, Javadi, a former professor at the University of Cambridge and the University of California at Berkeley, presents a survey of the subject often mentioned in many stories of English literature.

Students of that literature know about “The Rubaiyat of Omar Khayyam” through the translation of the English writer Edward Fitzgerald, but many are unaware of the fascination that the East, including Persia, has exercised over European minds, the author writes in this book.

In effect, through cultural diplomacy, a given country’s cultural capabilities and successes are leveraged as an advantage on the political and international arenas,” it added.

Here, books form a subdivision that entails a certain description and has and will continue to have great impact,” the agency noted.

The Persian language is like a big caravan, which has had great influences over history and is readily observed in the literature of India, Pakistan, Afghanistan and Tajikistan,” Ahmad said.

In this book, Javadi, a former professor at the University of Cambridge and the University of California at Berkeley, presents a survey of the subject often mentioned in many stories of English literature.

Students of that literature know about “The Rubaiyat of Omar Khayyam” through the translation of the English writer Edward Fitzgerald, but many are unaware of the fascination that the East, including Persia, has exercised over European minds, the author writes in this book.

A number of scholars attended a meeting SAMT organized to introduce the book and SAMT director Ahmad Ahmadi and scholar Nahid Hejazi from the Academy of Persian Language and Literature elaborated on the book.

“The Persian language is like a big caravan, which has had great influences over history and is readily observed in the literature of India, Pakistan, Afghanistan and Tajikistan,” Ahmad said.

In this book, Javadi, a former professor at the University of Cambridge and the University of California at Berkeley, presents a survey of the subject often mentioned in many stories of English literature.

Students of that literature know about “The Rubaiyat of Omar Khayyam” through the translation of the English writer Edward Fitzgerald, but many are unaware of the fascination that the East, including Persia, has exercised over European minds, the author writes in this book.
Søren Kierkegaard was one of the first modern philosophers to discuss nihilism. He posited a philosophy of nihilism known as leveling, -- a process of suppressing and removing individuality to such a point where an individual lacks the traits that make him unique.

Without being an individual, life and one’s very existence becomes void of any meaning. This philosophy is not the fully developed nihilism that was to come because Kierkegaard believed leveling created a life without meaning or value, but that life itself has inherent meaning and value.

If cultural, scientific, political and economic criteria lose their significance while still being important, you cannot regard “sustainable development” for that society. In the meantime, the community requires creative, capable, and efficient individuals who are called “elites”.

Elitism in Iran is one of the most controversial contemporary issues, and its political aspect has always overshadowed its “social” aspect. Today, there are serious critiques and challenges about “how to identify, educate and direct superior talents” from institutions such as the National Organization for Educational Testing that was founded in 1968, or the National Organization for Development of Exceptional Talents. It seems that the issue of “preservation and circulation of the elite” in contemporary political, social and economic culture of Iran remains to be neglected. Hence, there are different interpretations and versions of “what is elitism” and “who is an elite” -- interpretations that have shifted our society towards absurd social competitions and the thirst for “fame” and becoming celebrities instead of elites!

On this occasion, we interviewed Seyed Hossein Nasr, a professor of Islamic studies at the University of George Washington, recognized as an elite in Iran and the United States. He is the first Iranian graduate from the Massachusetts Institute of Technology (MIT) and Harvard University in the United States. Despite his scientific talent in physics, Nasr also has rendered significant services to expanding Islamic culture and civilization in his own valuable record. He also managed to remove ambiguities in traditionalist outlooks in studies in comparative religions particularly in the Muslim world. This provided him the credit to be included in the 100-volume collection of “Library of Living Philosophers” as a traditionalist Muslim philosopher.

Nasr is the author of over fifty books and five hundred articles (a number of which can be found in the journal, Studies in Comparative Religion) on topics such as traditionalist metaphysics, Islamic science, religion and the environment, Sufism, and Islamic philosophy. He has written works in Persian, English, French, and Arabic.

Although he was not feeling well, the author of the book “The Need for a Sacred Science” sincerely accepted our invitation for an interview. Having contributed to the education and direction of the elite generation in contemporary Iran, Nasr made remarkable and interesting points about the differences between elitism in Iran and the West.

On the subject of “genetic engineering” and the pursuit of a “perfect human” project through genetic designs, in your opinion, as a traditionalist philosopher, how far human beings can ethically proceed in this domain? Are these projects in line with the ideas of elitism or are pursuing other issues?

I am totally opposed to these things, because they are a kind of “narcissism of mankind”; a kind of bond that, according to Goethe, “man” strikes with “devil”.

Genetic Engineering to Make a “Perfect Man” Is Dangerous and Originates from Narcissism
We have no guarantees that if the genetic reconstruction and new technologies can create children who are genius in the field of technology or any other field, the society would not be unrestrained.

dangerous, and people who talk about this do not think about the consequences, such as those who created the new technology but did not think about the environment and now the world is being choked!

To Goethe, “man” strikes with “devil”. Fortunately, our literature, contrary to some of the works of European literature, does not endorse this kind of treaty. Of course, if genetic knowledge is used for an embryo that would be paralyzed and can be cured by this method, then there is no objection, and I am not opposed to these kinds of acts. But basically, when it comes to the debate on reinforcing, laboratory changes, and supply of genetic engineering sperms for those who are geniuses, it means that we are going to do evil things that will have unpredictable and very dangerous consequences for humankind.

Is it ethical to build a customized human?

An infertile American couple looking for egg donors, placed an advertisement in one of the newspapers announcing they wanted an egg donor 190 cm high, whose score for a university entrance exam would be 1,400 or more. This ad sparked numerous reactions and prompted advocates of philosophy of ethics to raise the argument as to whether it was ethical to build a customized human!

Genetics seems to have had great improvements in recent years that have cured many illnesses and, of course, created hopes for treating many incurable illnesses. In the meantime, the advances in genetic science have given humans the opportunity to interact in areas that have so far not been accessible; vast areas of production ranging from producing laboratory grown babies, treatment of infertility, genetic manipulation to improve the memory and strengthen the muscles, to the selection of gender and physical and mental characteristics of infants, and transformation of animals and even humans. Now ethical questions arise answering which is necessary in parallel with the advances in genetics.

Ethically speaking, how far can humans go in this range? Isn’t planning to produce babies ethically problematic before and even after birth? Can such interferences determine their future course of life and decide on their behalf? Should gene therapy be limited to diseases, or can it be used to improve physical and mental characteristics in healthy people? And...

Michael Sandel, an American political philosopher and a political philosophy professor at Harvard University in his book “The Perfect Man: Ethics in the Age of Genetic Engineering” tries to find a basis for answering such questions and explain why genetic engineering and its amazing advances have led to appearance of such concerns.

He considers the advances in genetics to be both promising and dangerous; he is proud to know that perhaps one day he can cure many illnesses that are dangerous, because he may allow us to manipulate our nature.


Source: Iran Newspaper / Alireza Shirazi-Nejad
Medical tourism and dentistry and its affordable costs as well as the high expertise of Iranian dentists are the advantages Iran enjoys compared to other countries of the region and even some European countries in the field of health tourism.

Medical tourism with regard to the beautiful and spectacular places of Iran can be one of the goals of tourism, especially for patients from different countries to visit our country.

Dentistry in Iran has made remarkable progress in recent years. Iranian dental initiatives and services have led many Iranians living abroad or some European citizens and our neighbors in the Persian Gulf states to travel to Iran for treatment.

Dr. Fatemeh Esmi is among young, innovative and creative dentists who have been able to gain a decent position among other colleagues in recent years.

Dr. Esmi has three patent certificates in the field of dental equipment and is recipient of the Islamic Republic of Iran Achievement Award.

She specializes in dental restoration and tooth crown buildup as well as cosmetic dentistry. Other dental specialties and services such as oral and maxillofacial surgery, implants, gum treatment and endodontic treatment are, however, provided by her colleagues.
Iran Oil Industry in for Big Year amid US Threats

Iran’s oil industry may be heading for choppy waters from a possible US re-enactment of sanctions, but the country’s officials foresee a thriving year during which as many as 17 upstream contracts are expected to be finalized.

Last year marked the National Iranian Oil Company (NIOC) signing three major oil deals for the first time since the lifting of sanctions in early 2016.

The company expects to finalize seven more upstream contracts worth around $40 billion with foreign investors by October, NIOC deputy head Gholamreza Manouchehri said.

Moreover, negotiations are under-way to develop 10 more oil fields and finalize their contracts before the year-end.

“I have to emphasize that negotiations on the fields are being done with the current challenging situation being included in our projections,” Manouchehri told reporters on the sidelines of an international petroleum exhibition in Tehran.

“We expect to see a boom in business and activity in the oil industry due to the fact that domestic companies will implement this plan,” he added.

In the exploration sector, 14 blocks covering over 80,000 km in six sedimentary areas are scheduled to be tendered in July, NIOC director for exploration Saleh Hendi said.

“Of the 14 exploration blocks, six blocks are expected to be attractive to foreign investors and development agreements for them to be signed,” he said.

The official said Austria’s OMV, Russia’s Lukoil and China National Petroleum Company (CNPC) have announced their interest in the exploration blocks which include both known, high-potential blocks and new ones.

Four blocks are in the Zagros sedimentary area, including Zahab in Lorestan, Tudej in Fars, Timab in Dezful and Abadan in the Abadan plain. The Bam-o-
dad, Mahan and Parsa blocks are in the Persian Gulf Basin.

Three other blocks in the Kopeh Dugh Basin are in northeast Iran, straddling its border with Turkmenistan. They are the Saraheh, Dounsi and Raz blocks.

Another block is the Moghan Basin in northwest Iran, with a proven hydrocarbon system, while Kavir is located in the central basin.

Two new sedimentary blocks are Taybad bordering Afghanistan and Sistan near the border with Pakistan.

**Record Oil Rig Count:** The operations will see a record rise in rig count where 100 rigs will be engaged simultaneously. “The activity of this number of rigs is almost equivalent to the entire operational rigs in the oil industry,” Manouchehri said.

Iranian contractors are expected to get a strong boost from the operations because all the equipment and articles needed in the projects will be sourced from domestic suppliers unless they are unable to manufacture them.

“Of course, the work will peak in the next year. Based on estimates, those projects are planned for two years, meaning it will take two years for the contract to be implemented from the time it is concluded.”

**Gas Projects:** In the gas sector, five new phases of the giant South Pars field will come on stream, adding 200,000 barrels per day to Iran’s condensate production capacity.

Manouchehri also said he expected the contract with the Indians to develop Farzad-B gas field in the Persian Gulf to be signed in the next five months.

India’s ONGC Videsh Ltd (OVL) discovered Farzad-B in the Farsi block about 10 years ago and asked Iran to grant it the right to develop the field.

Iran’s Minister of Petroleum Bijan Namdar Zanganeh said recently he hoped India and Iran could finalize the main issue on the development of the gas field in the next few months.

Manouchehri also touched on Iran’s plans to develop South Azadegan oil field, including a 300,000 barrel-per-day processing unit and $3 billion of investment in Jask in the Gulf of Oman to build a new oil terminal.

“All in all, they include 80 projects which the National Iranian Oil Company is dealing with and we hope to see an upsurge in the oil industry this year,” he said.

Iranian President Hassan Rouhani paid a visit (May 8) to the 23rd Iran International Oil, Gas, Refining & Petrochemical Exhibition (Iran Oil Show 2018). While visiting various stands showcasing domestic products of Iranian companies and manufacturers, creating a dynamic environment in the Iranian oil industry, the official said.

“Of course, the work will peak in the next year. Based on estimates, those projects are planned for two years, meaning it will take two years for the contract to be implemented from the time it is concluded.”

**Gas Projects:** In the gas sector, five new phases of the giant South Pars field will come on stream, adding 200,000 barrels per day to Iran’s condensate production capacity.

Manouchehri also said he expected the contract with the Indians to develop Farzad-B gas field in the Persian Gulf to be signed in the next five months.

India’s ONGC Videsh Ltd (OVL) discovered Farzad-B in the Farsi block about 10 years ago and asked Iran to grant it the right to develop the field.

Iran’s Minister of Petroleum Bijan Namdar Zanganeh said recently he hoped India and Iran could finalize the main issue on the development of the gas field in the next few months.

Manouchehri also touched on Iran’s plans to develop South Azadegan oil field, including a 300,000 barrel-per-day processing unit and $3 billion of investment in Jask in the Gulf of Oman to build a new oil terminal.

“All in all, they include 80 projects which the National Iranian Oil Company is dealing with and we hope to see an upsurge in the oil industry this year,” he said.

Iranian President Hassan Rouhani paid a visit (May 8) to the 23rd Iran International Oil, Gas, Refining & Petrochemical Exhibition (Iran Oil Show 2018). While visiting various stands showcasing domestic products of Iranian companies and manufacturers, creating a dynamic environment in the Iranian oil industry, the official said.

“Iran's oil industry may be heading for choppy waters from a possible US re-enactment of sanctions, but the country’s officials foresee a thriving year during which as many as 17 upstream contracts are expected to be finalized.”

Manouchehri also touched on Iran’s plans to develop South Azadegan oil field, including a 300,000 barrel-per-day processing unit and $3 billion of investment in Jask in the Gulf of Oman to build a new oil terminal.

“All in all, they include 80 projects which the National Iranian Oil Company is dealing with and we hope to see an upsurge in the oil industry this year,” he said.

Iranian President Hassan Rouhani paid a visit (May 8) to the 23rd Iran International Oil, Gas, Refining & Petrochemical Exhibition (Iran Oil Show 2018). While visiting various stands showcasing domestic products of Iranian companies and manufacturers, creating a dynamic environment in the Iranian oil industry, the official said.

“Iran's oil industry may be heading for choppy waters from a possible US re-enactment of sanctions, but the country’s officials foresee a thriving year during which as many as 17 upstream contracts are expected to be finalized.”

Manouchehri also touched on Iran’s plans to develop South Azadegan oil field, including a 300,000 barrel-per-day processing unit and $3 billion of investment in Jask in the Gulf of Oman to build a new oil terminal.

“All in all, they include 80 projects which the National Iranian Oil Company is dealing with and we hope to see an upsurge in the oil industry this year,” he said.

Iranian President Hassan Rouhani paid a visit (May 8) to the 23rd Iran International Oil, Gas, Refining & Petrochemical Exhibition (Iran Oil Show 2018). While visiting various stands showcasing domestic products of Iranian companies and manufacturers, creating a dynamic environment in the Iranian oil industry, the official said.

“Iran's oil industry may be heading for choppy waters from a possible US re-enactment of sanctions, but the country’s officials foresee a thriving year during which as many as 17 upstream contracts are expected to be finalized.”

Manouchehri also touched on Iran’s plans to develop South Azadegan oil field, including a 300,000 barrel-per-day processing unit and $3 billion of investment in Jask in the Gulf of Oman to build a new oil terminal.

“All in all, they include 80 projects which the National Iranian Oil Company is dealing with and we hope to see an upsurge in the oil industry this year,” he said.

Iranian President Hassan Rouhani paid a visit (May 8) to the 23rd Iran International Oil, Gas, Refining & Petrochemical Exhibition (Iran Oil Show 2018). While visiting various stands showcasing domestic products of Iranian companies and manufacturers, creating a dynamic environment in the Iranian oil industry, the official said.
Bayer Aflak pharma Co. located in the special economic zone, city of Azna in the province of Lorestan, in the largest pharmaceutical company of Middle East. This company has been established to export pharmaceutical products with the highest quality using the state of the art technologies of the world base on the latest international standards of pharmaceutical products and good manufacturing practices (GMP). Bayer Aflak pharmaceutical Co. is the outcome of the hard working and experienced Iranian managers and experts aiming to promote the pharmaceutical industry of Iran throughout the world.

Bayer Aflak is the only Iranian company which uses European real sandwich panels of clean room made of laminate in all production lines.

Bayer Aflak is the first company of the world that uses real clean room even for non-clean room sections, in which oral solutions, suspensions, solids and ointments are produced. This improves the quality of our products.

Bayer Aflak consists of seven large companies as follows:
- Veterinary pharmaceutical company
- Human pharmaceutical company
- API pharmaceutical company
- Biotech pharmaceutical company
- Large volume parenteral pharmaceutical company
- Agricultural, household and animal pesticide manufacturing company
- Cosmetic and healthcare manufacturing company

The veterinary and human pharmaceutical companies of Bayer Aflak consist of a total land area of 120000 square meters with an infrastructure of 75000 square meters. This company also has an equipped production hall with an area of 40000 square meters that includes 7 production lines for veterinary drugs and 13 production lines for human drugs.

The Bayer Aflak company with full respect and by observing and considering all principles and rules governing the pharmaceutical industry and international standards intense to produce more than 200 items animal drugs and over 500 ones for human drugs that are unique in the Middle East and Asia.

The veterinary pharmaceutical products of Bayer Aflak are classified into seven production lines aiming to produce over 200 veterinary pharmaceuticals:
1. Solution and Suspension
2. Water soluble powder and Premix
3. Injectable solution and Suspension
4. Intramammary Infusion and Ointment
5. Sterile cephalosporin powder and Suspension
6. Sterile penicillin powder and Suspension
7. Tablet and Boluses

The human pharmaceutical products of Bayer Aflak are classified into 11 production lines aiming to produce over 150 human pharmaceuticals:
1. Penem injectable sterile powder (Antibiotics)
2. Cephalosporin injectable sterile powder (Antibiotics)
3. Ampoule (Solution for injection)
4. Pre-filled syringes
5. Capsule
6. General liquid injection
7. Non-antibiotic injectable powder
8. Enema
9. Suppository
10. Ointment
11. Lotion

**PRODUCT LIST**

<table>
<thead>
<tr>
<th>Intramammary infusion</th>
<th>Oral solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endocilast*</td>
<td>Bovistan® 20% Neomycin (Sulfate)</td>
</tr>
<tr>
<td>Endomast*</td>
<td>Bayginst® 20% Erythromycin tinlarate</td>
</tr>
<tr>
<td>Baymaxin®</td>
<td>Baytakar® 10% Tylosin tarsate</td>
</tr>
<tr>
<td>Bayvax®</td>
<td>Bayo 20% Oxytetracycline</td>
</tr>
<tr>
<td>GDX mast®</td>
<td>Bayo 50% Oxytetracycline</td>
</tr>
<tr>
<td>Dakomast®</td>
<td>Bayo 10% Oxytetracycline</td>
</tr>
<tr>
<td>Glaxa®</td>
<td>Bayol® 10% Ofloxacin</td>
</tr>
<tr>
<td>Glaxin®</td>
<td>Bayo 20% Oxytetracycline</td>
</tr>
<tr>
<td>Mastax®</td>
<td>Bayo 50% Oxytetracycline</td>
</tr>
<tr>
<td>Mastal®</td>
<td>Bayo 10% Oxytetracycline</td>
</tr>
<tr>
<td>Mastal®</td>
<td>Bayo 20% Oxytetracycline</td>
</tr>
<tr>
<td>Mastal®</td>
<td>Bayo 10% Oxytetracycline</td>
</tr>
<tr>
<td>Mastal®</td>
<td>Bayo 20% Oxytetracycline</td>
</tr>
</tbody>
</table>

**Injectable solution**

- Mycopex® Lincomycin + Spectinomycin
- Dakomast® 0.2% Dexamethasone
- Baymax® 5% Oxy-tetracycline
- Baym® 10% Oxy-tetracycline
- Enrofloxacin® 5% Enrofloxacin
- Enrofloxacin® 10% Enrofloxacin
- Baycin® 50% Tilmicosin
- Baymide® 33.3% Sulfadimidine sodium
- Baymide® 33.3% Sulfadimidine sodium

**Oral solution**

- Bayfem® 2.5% Fenbendazole
- Albenza® 2.5% Albendazole
- Helmitol® 5% Closantel (sodium)
- Baymide® 7.5% Ivermectin
- Helmizid® 8.75% Levamisole (HCI) + Trilabendazole
- Helmizid® 3% Closantel + Mebendazole
Bank Melli Iran Museum
A Great Achievement in Cultural Heritage

Visiting Hours: Saturday - Wednesday (Closed on holidays)
1:00 pm - 5:00 pm

Address: Opposite German Embassy, S Ferdowsi Ave., Tehran, Iran

021-64140  bankmelli1307  www.bmi.ir  bankmelli1307