

= Economy of Iran =

The economy of Iran is a mixed and transition economy with a large public sector . Some 60 percent of the economy is centrally planned . It is dominated by oil and gas production , although over 40 industries are directly involved in the Tehran Stock Exchange , one of the best performing exchanges in the world over the past decade . With 10 percent of the world 's proven oil reserves and 15 percent of its gas reserves , Iran is considered an " energy superpower " .

It is the world 's eighteenth largest by purchasing power parity (PPP) and twenty @-@ nine by nominal gross domestic product . The country is a member of Next Eleven because of its high development potential . A unique feature of Iran 's economy is the presence of large religious foundations called Bonyad , whose combined budgets represent more than 30 percent of central government spending .

Price controls and subsidies , particularly on food and energy , burden the economy . Contraband , administrative controls , widespread corruption , and other restrictive factors undermine private sector @-@ led growth . The legislature in late 2009 passed the subsidy reform plan . This is the most extensive economic reform since the government implemented gasoline rationing in 2007 .

Most of the country 's exports are oil and gas , accounting for a majority of government revenue in 2010 . Oil export revenues enabled Iran to amass well over \$ 100 billion in foreign exchange reserves as of 2010 . Iran ranked first in scientific growth in the world in 2011 and has one of the fastest development in telecommunication globally .

Due to its relative isolation from global financial markets , Iran was initially able to avoid recession in the aftermath of the 2008 global financial crisis . Yet , following increasingly stringent sanctions imposed by the international community as a result of the country 's nuclear program , oil exports fell by half , allowing Iraqi oil exports to overtake Iran 's for the first time since the 1980s . In September 2012 , the Iranian rial fell to a record low of 23 @,@ 900 to the US dollar .

Exports aided self @-@ sufficiency and domestic investment , although double @-@ digit unemployment and inflation remain problematic . Iran 's educated population , high human development , constrained economy and insufficient foreign and domestic investment prompted an increasing number of Iranians to seek overseas employment , resulting in a significant " brain drain " .

= = History = =

In 546 BC , Croesus of Lydia was defeated and captured by the Persians , who then adopted gold as the main metal for their coins . There are accounts in the biblical Book of Esther of dispatches being sent from Susa to provinces as far out as India and the Kingdom of Kush during the reign of Xerxes the Great (485 ? 465 BC) . By the time of Herodotus (c . 475 BC) , the Royal Road of the Persian Empire ran some 2 @,@ 857 km from the city of Susa on the Karun (250 km east of the Tigris) to the port of Smyrna (modern ?zmir in Turkey) on the Aegean Sea .

Modern agriculture in Iran dates back to the 1820s , when Amir Kabir undertook a number of changes to the traditional agricultural system . Such changes included importing modified seeds and signing collaboration contracts with other countries . Polyakov 's Bank Esteqrazi was bought in 1898 by the Tzarist government of Russia , and later passed into the hands of the Iranian government by a contract in 1920 . The bank continued its activities under the name of Bank Iran until 1933 when incorporating the newly founded Keshavarzi Bank .

The Imperial Bank of Persia was established in 1885 , with offices in all major cities of Persia . Reza Shah Pahlavi (r . 1925 ? 41) improved the country 's overall infrastructure , implemented educational reform , campaigned against foreign influence , reformed the legal system , and introduced modern industries . During this time , Iran experienced a period of social change , economic development , and relative political stability .

Reza Shah Pahlavi , who abdicated in 1941 , was succeeded by his son , Mohammad Reza Shah Pahlavi (r . 1941 ? 79) . No fundamental change occurred in the economy of Iran during World War II (1939 ? 45) and the years immediately following . However , between 1954 and 1960 a rapid

increase in oil revenues and sustained foreign aid led to greater investment and fast paced economic growth , primarily in the government sector . Subsequently , inflation increased , the value of the national currency (the rial) depreciated , and a foreign trade deficit developed . Economic policies implemented to combat these problems led to declines in the rates of nominal economic growth and per capita income by 1961 .

Prior to 1979 , Iran developed rapidly . Traditionally agricultural , by the 1970s the country had undergone significant industrialization and modernization . The pace slowed by 1978 as capital flight reached \$ 30 to \$ 40 billion 1980 US dollars just before the revolution .

Following the nationalizations in 1979 and the outbreak of the Iran ? Iraq War , over 80 % of the economy came under government control . The eight year war with Iraq claimed at least 300 000 Iranian lives and injured more than 500 000 . The cost of the war to the country 's economy was some \$ 500 billion .

After hostilities ceased in 1988 , the government tried to develop the country 's communication , transportation , manufacturing , health care , education and energy sectors (including its prospective nuclear power facilities) , and began integrating its communication and transportation systems with those of neighboring states .

The government 's long term objectives since the revolution were stated as economic independence , full employment , and a comfortable standard of living , but at the end of the 20th century , the economy faced many obstacles . Iran 's population more than doubled between 1980 and 2000 and its median age declined . Although many Iranians are farmers , agricultural production has consistently fallen since the 1960s . By the late 1990s , Iran imported much of its food . At that time , economic hardship in the countryside resulted in many people moving to cities .

= = Macroeconomic trends = =

More than two thirds of the population (74 million people) are under the age of 30 . Net primary school enrollment is almost 100 % , suggesting a secondary " demographic boom " .

Iran 's national science budget in 2005 was about \$ 900 million , roughly equivalent to the 1990 figure . By early 2000 , Iran allocated around 0 .4 % of its GDP to research and development , ranking the country behind the world average of 1 .4 % . In 2009 the ratio of research to GDP was 0 .87 % against the government 's medium term target of 2 .5 % . Iran ranked first in scientific growth in the world in 2011 and 17th in science production in 2012 .

Iran has a broad and diversified industrial base . According to The Economist , Iran ranked 39th in a list of industrialized nations , producing \$ 23 billion of industrial products in 2008 . Between 2008 and 2009 Iran moved to 28th from 69th place in annual industrial production growth because of its relative isolation from the 2008 international financial crisis .

In the early 21st century the service sector was the country 's largest , followed by industry (mining and manufacturing) and agriculture . In 2008 GDP was estimated at \$ 382 .3 billion (\$ 842 billion PPP) , or \$ 5 470 per capita (\$ 12 800 PPP) .

Nominal GDP is projected to double in the next five years . However , real GDP growth is expected to average 2 .2 % a year in 2012 ? 16 , insufficient to reduce the unemployment rate . Furthermore , international sanctions have damaged the economy by reducing oil exports by half . The Iranian rial lost more than half of its value in 2012 , directing Iran at an import substitution industrialization and a resistive economy . According to the International Monetary Fund , Iran is a " transition economy " , i.e. , changing from a planned to a market economy .

The United Nations classifies Iran 's economy as semi developed . In 2014 , Iran ranked 83rd in the World Economic Forum 's analysis of the global competitiveness of 144 countries . Political , policy and currency stability is regarded as the most problematic factor in doing business in Iran . Difficulty in accessing financing is also a major concern , specially for small and medium enterprises . According to Goldman Sachs , Iran has the potential to become one of the world 's largest economies in the 21st century .

= = National economic planning = =

Following annual approval of the government's budget by Majlis, the central bank presents a detailed monetary and credit policy to the Money and Credit Council (MCC) for approval. Thereafter, major elements of these policies are incorporated into the five-year economic development plan. The fifth development plan, for 2010-15, is designed to delegate power to the people and develop a knowledge economy. The plan is part of "Vision 2025", a strategy for long-term sustainable growth.

== Economic reform plan ==

Expansion of public healthcare and international relations are the other main objectives of the fifth plan, an ambitious series of measures that include subsidy reform, banking, currency, taxation, customs, construction, employment, nationwide goods and services distribution, social justice and productivity. The intent is to make the country self-sufficient by 2015 and replace the payment of \$100 billion in subsidies annually with targeted social assistance. These reforms target the country's major sources of inefficiency and price distortion and are likely to lead to major restructuring of almost all economic sectors. As such, by removing energy subsidies, Iran intends to make its industries more efficient and competitive. By 2016, one third of Iran's economic growth is expected to originate from productivity improvement. Energy subsidies left the country one of the world's least energy-efficient, with energy intensity three times the global average and 2.5 times higher than the Middle Eastern average. The banking sector is seen as a potential hedge against the removal of subsidies, as the plan is not expected to directly impact banks. Iranian President Hassan Rouhani stated in 2014 that the country has the potential to become one of the ten largest economies within the next 30 years.

== Fiscal and monetary policy ==

Since the 1979 revolution, government spending has averaged 59% on social policies, 17% on economic matters, 15% on national defense, and 13% on general affairs. Payments averaged 39% on education, health and social security, 20% on other social programs, 3% on agriculture, 16% on water, power and gas, 5% on manufacturing and mining, 12% on roads and transportation and 5% on other economic affairs. Iran's investment reached 27.7% of GDP in 2009. Between 2002 and 2006, inflation fluctuated around 14%. In 2008, around 55% of government revenue came from oil and natural gas revenue, with 31% from taxes and fees. There are virtually millions of people who do not pay taxes in Iran and hence operate outside the formal economy. The budget for year 2012 was \$462 billion, 9% less than 2011. The budget is based on an oil price of \$85 per barrel. The value of the US dollar is estimated at IRR 12,260 for the same period. According to the head of the Department of Statistics of Iran, if the rules of budgeting were observed the government could save at least 30 to 35% on its expenses. The central bank's interest rate is 21%, and the inflation rate has climbed to 22% in 2012, 10% higher than in 2011. There is little alignment between fiscal and monetary policy. According to the Central Bank of Iran the gap between the rich and the poor narrowed because of monthly subsidies but the trend could reverse if high inflation persists.

Iran had an estimated \$110 billion in foreign reserves in 2011 and balances its external payments by pricing oil at approximately \$75 per barrel. As of 2013, only \$30 to \$50 billion of those reserves are accessible because of current sanctions. Iranian media has questioned the reason behind Iran's government non-repatriation of its foreign reserves before the imposition of the latest round of sanctions and failure to convert into gold. As a consequence, the Iranian rial lost more than 40% of its value between December 2011 and April 2012. Iran's external and fiscal accounts reflect falling oil prices in 2012-13, but remain in surplus. The current account was expected to reach a surplus of 2.1% of GDP in 2012-13, and the net fiscal balance (after payments to Iran's National Development Fund) will register a surplus of 0.3% of GDP. In 2013 the external debts stood at \$7.2 billion down from \$17.3 billion in 2012. Iran's

GDP is predicted to grow 2 @. @ 8 % in 2014 .

= = Ownership = =

Following the hostilities with Iraq the Government declared its intention to privatize most industries and to liberalize and decentralize the economy . Sale of state @-@ owned companies proceeded slowly , mainly due to opposition by a nationalist majority in the parliament . In 2006 most industries , some 70 % of the economy , remained state @-@ owned . The majority of heavy industries including steel , petrochemicals , copper , automobiles , and machine tools remained in the public sector , with most light industry privately owned .

Article 44 of the Iranian Constitution declares that the country 's economy should consist of state , cooperative and private sectors based . The state sector includes all large @-@ scale industries , foreign trade , major minerals , banking , insurance , power generation , dams and large @-@ scale irrigation networks , radio and television , post , telegraph and telephone services , aviation , shipping , roads , railroads and the like . These are publicly owned and administered by the State . Cooperative companies and enterprises concerned with production and distribution in urban and rural areas form the basis of the cooperative sector and operated in accordance with Shariah law . As of 2012 , 5 @, @ 923 consumer cooperatives , employed 128 @, @ 396 . Consumer cooperatives have over six million members . Private sector operate in construction , agriculture , animal husbandry , industry , trade , and services that supplement the economic activities of the state and cooperative sectors .

Since Article 44 has never been strictly enforced , the private sector has played a much larger role than that outlined in the constitution . In recent years the role of this sector has increased . A 2004 constitutional amendment allows 80 % of state assets to be privatized . Forty percent of such sales are to be conducted through the " Justice Shares " scheme and the rest through the Tehran Stock Exchange . The government would retain the remaining 20 % . In 2005 , government assets were estimated at around \$ 120 billion . Some \$ 63 billion of such assets were privatized from 2005 to 2010 , reducing the government 's direct share of GDP from 80 % to 40 % . Many companies in Iran remain uncompetitive because of mismanagement over the years , thus making privatization less attractive for potential investors . According to then @-@ President Mahmoud Ahmadinejad , 60 % of Iran 's wealth is controlled by just 300 people .

= = = Islamic Revolutionary Guard Corps = = =

The Islamic Revolutionary Guard Corps (IRGC) are thought to control about one third of Iran 's economy through subsidiaries and trusts . Estimates by the Los Angeles Times suggest IRGC has ties to over one hundred companies and annual revenue in excess of \$ 12 billion , particularly in construction . The Ministry of Petroleum awarded IRGC billions of dollars in no @-@ bid contracts as well as major infrastructure projects . Tasked with border control , IRGC maintains a monopoly on smuggling , costing Iranian companies billions of dollars each year . Smuggling is encouraged in part by the generous subsidization of domestic goods (including fuel) . IRGC also runs laser eye @-@ surgery clinics , makes cars , builds bridges and roads and develops oil and gas fields .

= = = Religious foundations = = =

Welfare programs for the needy are managed by more than 30 public agencies alongside semi @-@ state organizations known as bonyads , together with several private non @-@ governmental organizations . Bonyads are a consortium of over 120 tax @-@ exempt organizations that receive subsidies and religious donations . They answer directly to the Supreme Leader of Iran and control over 20 % of GDP . Operating everything from vast soybean and cotton farms to hotels , soft drink , auto @-@ manufacturing and shipping lines , they are seen as overstaffed , corrupt and generally unprofitable . Bonyad companies also compete with Iran 's unprotected private sector , whose firms complain of the difficulty of competing with the subsidized bonyads . Bonyads are not subject to

audit or Iran 's accounting laws . Setad is a multi @-@ sector business organization , with holdings of 37 companies , and an estimated value of \$ 95 billion . It is under the control of the Supreme Leader , Ali Khamenei , and created from thousands of properties confiscated from Iranians .

= = Labor force = =

After the revolution , the government established a national education system that improved adult literacy rates : as of 2008 85 % of the adult population was literate , well ahead of the regional average of 62 % . The Human Development Index was 0 @.@ 749 in 2013 , placing Iran in the " high human development " bracket .

Annual economic growth of above 5 % is necessary to absorb the 750 @,@ 000 new labor force entrants each year . Agriculture contributes just over 11 % to GDP and employs one third of the labor force . As of 2004 the industrial sector , which includes mining , manufacturing , and construction , contributed 42 % of GDP and employed 31 % of the labor force . Mineral products , notably petroleum , account for 80 % of Iran ? s export revenues , even though mining employs less than 1 % of the labor force . In 2004 the service sector ranked as the largest contributor to GDP (48 %) and employed 44 % of workers . Women made up 33 % of the labor force in 2005 . Youth unemployment (aged 15 ? 24) was 29 @.@ 1 % in 2012 , resulting in significant brain drain .

= = = Personal income and poverty = = =

Iran is classed as a middle income country and has made significant progress in provision of health and education services in the period covered by the Millennium Development Goals (MDGs) . In 2010 , Iran 's average monthly income was about \$ 500 (GNI per capita in 2012 : \$ 13 @,@ 000 by PPP) . A minimum national wage applies to each sector of activity as defined by the Supreme Labor Council . In 2009 this was about \$ 263 per month (\$ 3 @,@ 156 per year) . The World Bank reported that in 2001 , approximately 20 % of household consumption was spent on food , 32 % on fuel , 12 % on health care and 8 % on education . Iranians have little debt . Seventy percent of Iranians own their homes .

After the Revolution , the composition of the middle class in Iran did not change significantly , but its size doubled from about 15 % of the population in 1979 to more than 32 % in 2000 . The official poverty line in Tehran for the year ending March 20 , 2008 , was \$ 9 @,@ 612 , while the national average poverty line was \$ 4 @,@ 932 . In 2010 , Iran 's Department of Statistics announced that 10 million Iranians live under the absolute poverty line and 30 million live under the relative poverty line .

= = = Social security = = =

Although Iran does not offer universal social protection , in 1996 , the Iranian Center for Statistics estimated that more than 73 % of the Iranian population was covered by social security . Membership of the social security system for all employees is compulsory .

Social security ensures employee protection against unemployment , disease , old age and occupational accidents . In 2003 , the government began to consolidate its welfare organizations to eliminate redundancy and inefficiency . In 2003 the minimum standard pension was 50 % of the worker ? s earnings but no less than the minimum wage . Iran spent 22 @.@ 5 % of its 2003 national budget on social welfare programs of which more than 50 % covered pension costs . Out of the 15 @,@ 000 homeless in Iran in 2015 , 5 @,@ 000 were women .

Employees between the age of 18 and 65 years are covered by the social security system with financing shared between the employee (7 % of salary) , the employer (20 ? 23 %) and the state , which in turn supplements the employer contribution up to 3 % . Social security applies to self @-@ employed workers , who voluntarily contribute between 12 % and 18 % of income depending on the protection sought . Civil servants , the regular military , law enforcement agencies , and IRGC have their own pension systems .

== Trade unions ==

Although Iranian workers have a theoretical right to form labor unions , there is no union system in the country . Ostensible worker representation is provided by the Workers ' House , a state sponsored institution that attempts to challenge some state policies . Guild unions operate locally in most areas , but are limited largely to issuing credentials and licenses . The right to strike is generally not respected by the state . Since 1979 strikes have often been met by police action .

A comprehensive law covers labor relations , including hiring of foreign workers . This provides a broad and inclusive definition of the individuals it covers , recognizing written , oral , temporary and indefinite employment contracts . Considered employee friendly , the labor law makes it difficult to lay off staff . Employing personnel on consecutive six month contracts (to avoid paying benefits) is illegal , as is dismissing staff without proof of a serious offense . Labor disputes are settled by a special labor council , which usually rules in favor of the employee .

== Sectors of the economy ==

== Agriculture and foodstuffs ==

Agriculture contributes just over 11 % to the gross national product and employs a third of the labor force . About 11 % of Iran 's land is arable , with the main food producing areas located in the Caspian region and in northwestern valleys . Some northern and western areas support rain fed agriculture , while others require irrigation . Primitive farming methods , overworked and under fertilized soil , poor seed and water scarcity are the principal obstacles to increased production . About one third of total cultivated land is irrigated . Construction of multipurpose dams and reservoirs along rivers in the Zagros and Alborz mountains have increased the amount of water available for irrigation . Agricultural production is increasing as a result of modernization , mechanization , improvements to crops and livestock as well as land redistribution programs .

Wheat , the most important crop , is grown mainly in the west and northwest . Rice is the major crop in the Caspian region . Other crops include barley , corn , cotton , sugar beets , tea , hemp , tobacco , fruits , potatoes , legumes (beans and lentils) , vegetables , fodder plants (alfalfa and clover) , almonds , walnuts and spices including cumin and sumac . Iran is the world 's largest producer of saffron , pistachios , honey , berberis and berries and the second largest date producer . Meat and dairy products include lamb , goat meat , beef , poultry , milk , eggs , butter and cheese .

Non food products include wool , leather and silk . Forestry products from the northern slopes of the Alborz Mountains are economically important . Tree cutting is strictly controlled by the government , which also runs a reforestation program . Rivers drain into the Caspian Sea and are fished for salmon , carp , trout , pike and sturgeon that produce caviar , of which Iran is the largest producer .

Since the 1979 revolution commercial farming has replaced subsistence farming as the dominant mode of agricultural production . By 1997 , the gross value reached \$ 25 billion . Iran is 90 % self sufficient in essential agricultural products , although limited rice production leads to substantial imports . In 2007 Iran reached self sufficiency in wheat production and for the first time became a net wheat exporter . By 2003 , a quarter of Iran 's non oil exports were of agricultural products , including fresh and dried fruits , nuts , animal hides , processed foods , and spices . Iran exported \$ 736 million worth of foodstuffs in 2007 and \$ 1 billion (~ 600 ,000 tonnes) in 2010 . A total of 12 ,198 entities are engaged in the Iranian food industry , or 12 % of all entities in the industry sector . The sector also employs approximately 328 ,000 people or 16 .1 % of the entire industry sector 's workforce .

== Manufacturing ==

Large @-@ scale factory manufacturing began in the 1920s . During the Iran ? Iraq War , Iraq bombed many of Iran 's petrochemical plants , damaging the large oil refinery at Abadan bringing production to a halt . Reconstruction began in 1988 and production resumed in 1993 . In spite of the war , many small factories sprang up to produce import @-@ substitution goods and materials needed by the military .

Iran 's major manufactured products are petrochemicals , steel and copper products . Other important manufactures include automobiles , home and electric appliances , telecommunications equipment , cement and industrial machinery . Iran operates the largest operational population of industrial robots in West Asia . Other products include paper , rubber products , processed foods , leather products and pharmaceuticals . In 2000 , textile mills , using domestic cotton and wool such as Tehran Patou and Iran Termeh employed around 400 @,@ 000 people around Tehran , Isfahan and along the Caspian coast .

A 2003 report by the United Nations Industrial Development Organization regarding small and medium @-@ sized enterprises (SMEs) identified the following impediments to industrial development :

- Lack of monitoring institutions ;
- Inefficient banking system ;
- Insufficient research & development ;
- Shortage of managerial skills ;
- Corruption ;
- Inefficient taxation ;
- Socio @-@ cultural apprehensions ;
- Absence of social learning loops ;
- Shortcomings in international market awareness necessary for global competition ,
- Cumbersome bureaucratic procedures ;
- Shortage of skilled labor ;
- Lack of intellectual property protection ;
- Inadequate social capital , social responsibility and socio @-@ cultural values .

Despite these problems , Iran has progressed in various scientific and technological fields , including petrochemical , pharmaceutical , aerospace , defense , and heavy industry . Even in the face of economic sanctions , Iran is emerging as an industrialized country .

= = = = Handicrafts = = = =

Iran has a long tradition of producing artisanal goods including Persian carpets , ceramics , copperware , brassware , glass , leather goods , textiles and wooden artifacts . The country 's carpet @-@ weaving tradition dates from pre @-@ Islamic times and remains an important industry contributing substantial amounts to rural incomes . An estimated 1 @.@ 2 million weavers in Iran produce carpets for domestic and international export markets . More than \$ 500 million worth of hand @-@ woven carpets are exported each year , accounting for 30 % of the 2008 world market . Around 5 @.@ 2 million people work in some 250 handicraft fields and contribute 3 % of GDP .

= = = = Automobile manufacturing = = = =

As of 2001 , 13 public and privately owned automakers within Iran , led by Iran Khodro and Saipa that accounted for 94 % of domestic production . Iran Khodro 's Paykan , replaced by the Samand in 2005 , is the predominant brand . With 61 % of the 2001 market , Khodro was the largest player , whilst Saipa contributed 33 % that year . Other car manufacturers , such as the Bahman Group , Kerman Motors , Kish Khodro , Raniran , Traktorsazi , Shahab Khodro and others accounted for the remaining 6 % . These automakers produce a wide range of vehicles including motorbikes , passenger cars such as Saipa 's Tiba , vans , mini trucks , medium @-@ sized trucks , heavy trucks , minibuses , large buses and other heavy automobiles used for commercial and private activities in the country . In 2009 Iran ranked fifth in car production growth after China , Taiwan , Romania and

India . Iran was the world 's 12th biggest automaker in 2010 and operates a fleet of 11 @. @ 5 million cars . Iran produced 1 @, @ 395 @, @ 421 cars in 2010 , including 35 @, @ 901 commercial vehicles .

= = = = Defense industry = = = =

In 2007 the International Institute for Strategic Studies estimated Iran 's defense budget at \$ 7 @. @ 31 billion , equivalent to 2 @. @ 6 % of GDP or \$ 102 per capita , ranking it 25th internationally . The country 's defense industry manufactures many types of arms and equipment . Since 1992 , Iran 's Defense Industries Organization (DIO) has produced its own tanks , armored personnel carriers , guided missiles , radar systems , a guided missile destroyer , military vessels , submarines and a fighter plane . In 2006 Iran exported weapons to 57 countries , including NATO members , and exports reached \$ 100 million . It is also developing a sophisticated mobile air defense system dubbed as Bavar 373 .

= = = = Construction and real estate = = = =

Until the early 1950s construction remained in the hands of small domestic companies . Increased income from oil and gas and easy credit triggered a building boom that attracted international construction firms to the country . This growth continued until the mid @- @ 1970s when a sharp rise in inflation and a credit squeeze collapsed the boom . The construction industry had revived somewhat by the mid @- @ 1980s , although housing shortages and speculation remained serious problems , especially in large urban centers . As of January 2011 , the banking sector , particularly Bank Maskan , had loaned up to 102 trillion rials (\$ 10 @. @ 2 billion) to applicants of Mehr housing scheme . Construction is one of the most important sectors accounting for 20 ? 50 % of total private investment in urban areas and was one of the prime investment targets of well @- @ off Iranians .

Annual turnover amounted to \$ 38 @. @ 4 billion in 2005 and \$ 32 @. @ 8 billion in 2011 . Because of poor construction quality , many buildings need seismic reinforcement or renovation . Iran has a large dam building industry .

= = = = Mines and metals = = = =

Mineral production contributed 0 @. @ 6 % of the country 's GDP in 2011 , a figure that increases to 4 % when mining @- @ related industries are included . Gating factors include poor infrastructure , legal barriers , exploration difficulties and government control over all resources . Iran is ranked among the world 's 15 major mineral @- @ rich countries .

Although the petroleum industry provides the majority of revenue , about 75 % of all mining sector employees work in mines producing minerals other than oil and natural gas . These include coal , iron ore , copper , lead , zinc , chromium , barite , salt , gypsum , molybdenum , strontium , silica , uranium , and gold , the latter of which is mainly a by @- @ product of the Sar Cheshmeh copper complex operation . The mine at Sar Cheshmeh in Kerman Province is home to the world 's second largest store of copper . Large iron ore deposits exist in central Iran , near Bafq , Yazd and Kerman . The government owns 90 % of all mines and related industries and is seeking foreign investment . The sector accounts for 3 % of exports .

Iran has recoverable coal reserves of nearly 1 @. @ 9 billion short tonnes . By mid @- @ 2008 , the country produced about 1 @. @ 3 million short tonnes of coal annually and consumed about 1 @. @ 5 million short tonnes , making it a net importer . The country plans to increase hard @- @ coal production to 5 million tons in 2012 from 2 million tons in November 2008 .

The main steel mills are located in Isfahan and Khuzestan . Iran became self @- @ sufficient in steel in 2009 . Aluminum and copper production are projected to hit 245 @, @ 000 and 383 @, @ 000 tons respectively by March 2009 . Cement production reached 65 million tons in 2009 , exporting to 40 countries .

===== Petrochemicals =====

Iran manufactures 60 ? 70 % of its equipment domestically , including refineries , oil tankers , drilling rigs , offshore platforms and exploration instruments .

Thanks to a fertilizer plant in Shiraz , the world 's largest ethylene unit , in Asalouyeh , and the completion of other special economic zone projects , Iran 's exports in petrochemicals reached \$ 5 @. @ 5 billion in 2007 , \$ 9 billion in 2008 and \$ 7 @. @ 6 billion during the first ten months of the Iranian calendar year 2010 . National Petrochemical Company 's output capacity will increase to over 100 million tpa by 2015 from an estimated 50 million tpa in 2010 thus becoming the world ' second largest chemical producer globally after Dow Chemical with Iran housing some of the world 's largest chemical complexes .

Major refineries located at Abadan (site of its first refinery) , Kermanshah and Tehran failed to meet domestic demand for gasoline in 2009 . Iran 's refining industry requires \$ 15 billion in investment over the period 2007 ? 2012 to become self @-@ sufficient and end gasoline imports . Iran has the fifth cheapest gasoline prices in the world leading to fuel smuggling with neighboring countries .

===== Services =====

Despite 1990s efforts towards economic liberalization , government spending , including expenditure by quasi @-@ governmental foundations , remains high . Estimates of service sector spending in Iran are regularly more than two @-@ fifths of GDP , much government @-@ related , including military expenditures , government salaries and social security disbursements . Urbanization contributed to service sector growth . Important service industries include public services (including education) , commerce , personal services , professional services and tourism .

The total value of transport and communications is expected to rise to \$ 46 billion in nominal terms by 2013 , representing 6 @. @ 8 % of Iran ? s GDP . Projections based on 1996 employment figures compiled for the International Labour Organization suggest that Iran ? s transport and communications sector employed 3 @. @ 4 million people , or 20 @. @ 5 % of the labor force in 2008 .

===== Energy , gas and petroleum =====

Iran possesses 10 % of the world 's proven oil reserves and 15 % of its gas reserves . Domestic oil and gas along with hydroelectric power facilities provide power . Energy wastage in Iran amounts to six or seven billion dollars per year , much higher than the international norm . Iran recycles 28 % of its used oil and gas , whereas some other countries reprocess up to 60 % . In 2008 Iran paid \$ 84 billion in subsidies for oil , gas and electricity . It is the world 's third largest consumer of natural gas after United States and Russia . In 2010 Iran completed its first nuclear power plant at Bushehr with Russian assistance .

Iran has been a major oil exporter since 1913 . The country 's major oil fields lie in the central and southwestern parts of the western Zagros mountains . Oil is also found in northern Iran and in the Persian Gulf . In 1978 , Iran was the fourth largest oil producer , OPEC 's second largest oil producer and second largest exporter . Following the 1979 revolution the new government reduced production . A further decline in production occurred as result of damage to oil facilities during the Iraq @-@ Iran war . Oil production rose in the late 1980s as pipelines were repaired and new Gulf fields exploited . By 2004 , annual oil production reached 1 @. @ 4 billion barrels producing a net profit of \$ 50 billion . Iranian Central Bank data show a declining trend in the share of Iranian exports from oil @-@ products (2006 / 2007 : 84 @. @ 9 % , 2007 / 2008 : 86 @. @ 5 % , 2008 / 2009 : 85 @. @ 5 % , 2009 / 2010 : 79 @. @ 8 % , 2010 / 2011 (first three quarters) : 78 @. @ 9 %) . Iranian officials estimate that Iran 's annual oil and gas revenues could reach \$ 250 billion by 2015 once current projects come on stream .

Pipelines move oil from the fields to the refineries and to such exporting ports as Abadan , Bandar

@-@ e Mashur and Kharg Island . Since 1997 , Iran 's state @-@ owned oil and gas industry has entered into major exploration and production agreements with foreign consortia . In 2008 the Iranian Oil Bourse (IOB) was inaugurated in Kish Island . The IOB trades petroleum , petrochemicals and gas in various currencies . Trading is primarily in the euro and rial along with other major currencies , not including the US dollar . According to the Petroleum Ministry , Iran plans to invest \$ 500 billion in its oil sector by 2025 .

= = = Retail and distribution = = =

Iran 's retail industry consists largely of cooperatives (many of them government @-@ sponsored) , and independent retailers operating in bazaars . The bulk of food sales occur at street markets with prices set by the Chief Statistics Bureau . Iran has 438 @,@ 478 small grocery retailers . These are especially popular in cities other than Tehran where the number of hypermarkets and supermarkets is still very limited . More mini @-@ markets and supermarkets are emerging , mostly independent operations . The biggest chainstores are state @-@ owned Etkā , Refah , Shahrvand and Hyperstar Market . Electronic commerce in Iran passed the \$ 1 billion mark in 2009 .

In 2012 , Iranians spent \$ 77 billion on food , \$ 22 billion on clothes and \$ 18 @.@ 5 billion on outward tourism . In 2015 , overall consumer expenditures and disposable income are projected at \$ 176 @.@ 4 billion and \$ 287 billion respectively .

= = = Healthcare and pharma = = =

The constitution entitles Iranians to basic health care . By 2008 , 73 % of Iranians were covered by the voluntary national health insurance system . Although over 85 % of the population use an insurance system to cover their drug expenses , the government heavily subsidizes pharmaceutical production / importation . The total market value of Iran 's health and medical sector was \$ 24 billion in 2002 and was forecast to rise to \$ 50 billion by 2013 . In 2006 , 55 pharmaceutical companies in Iran produced 96 % (quantitatively) of the medicines for a market worth \$ 1 @.@ 2 billion . This figure is projected to increase to \$ 3 @.@ 65 billion by 2013 .

= = = Tourism and travel = = =

Although tourism declined significantly during the war with Iraq , it has subsequently recovered . About 1 @,@ 659 @,@ 000 foreign tourists visited Iran in 2004 and 2 @.@ 3 million in 2009 mostly from Asian countries , including the republics of Central Asia , while about 10 % came from the European Union and North America .

The most popular tourist destinations are Isfahan , Mashhad and Shiraz . In the early 2000s the industry faced serious limitations in infrastructure , communications , industry standards and personnel training . The majority of the 300 @,@ 000 tourist visas granted in 2003 were obtained by Asian Muslims , who presumably intended to visit important pilgrimage sites in Mashhad and Qom . Several organized tours from Germany , France and other European countries come to Iran annually to visit archaeological sites and monuments . In 2003 Iran ranked 68th in tourism revenues worldwide . According to UNESCO and the deputy head of research for Iran Travel and Tourism Organization (ITTO) , Iran is rated among the " 10 most touristic countries in the world " . Domestic tourism in Iran is one of the largest in the world .

= = = Banking , finance and insurance = = =

Government loans and credits are available to industrial and agricultural projects , primarily through banks . Iran 's unit of currency is the rial which had an average official exchange rate of 9 @,@ 326 rials to the U.S. dollar in 2007 . Rials are exchanged on the unofficial market at a higher rate . In 1979 , the government nationalized private banks . The restructured banking system replaced interest on loans with handling fees , in accordance with Islamic law . This system took effect in the

mid 1980s .

The banking system consists of a central bank , the Bank Markazi , which issues currency and oversees all state and private banks . Several commercial banks have branches throughout the country . Two development banks exist and a housing bank specializes in home mortgages . The government began to privatize the banking sector in 2001 when licenses were issued to two new privately owned banks .

State owned commercial banks predominantly make loans to the state , bonyad enterprises , large scale private firms and four thousand wealthy / connected individuals . While most Iranians have difficulty obtaining small home loans , 90 individuals secured facilities totaling \$ 8 billion . In 2009 , Iran 's General Inspection Office announced that Iranian banks held some \$ 38 billion of delinquent loans , with capital of only \$ 20 billion .

Foreign transactions with Iran amounted to \$ 150 billion of major contracts between 2000 and 2007 , including private and government lines of credit . In 2007 , Iran had \$ 62 billion in assets abroad . In 2010 , Iran attracted almost \$ 11 billion from abroad , of which \$ 3 billion was FDI , \$ 7 billion was from international commercial bank loans , and around \$ 900 million consisted of loans and projects from international development banks .

As of 2010 , the Tehran Stock Exchange traded the shares of more than 330 registered companies . Listed companies were valued at \$ 100 billion in 2011 .

Insurance premiums accounted for just under 1 % of GDP in 2008 , a figure partly attributable to low average income per head . Five state owned insurance firms dominate the market , four of which are active in commercial insurance . The leading player is the Iran Insurance Company , followed by Asia , Alborz and Dana insurances . In 2001 / 02 third party liability insurance accounted for 46 % of premiums , followed by health insurance (13 %) , fire insurance (10 %) and life insurance (9 %) .

=== Communications , electronics and IT ===

Broadcast media , including five national radio stations and five national television networks as well as dozens of local radio and television stations are run by the government . In 2008 there were 345 telephone lines and 106 personal computers for every 1,000 residents . Personal computers for home use became more affordable in the mid 1990s , since when demand for Internet access has increased rapidly . As of 2010 , Iran also had the world 's third largest number of bloggers (2010) . In 1998 the Ministry of Post , Telegraph & Telephone (later renamed the Ministry of Information & Communication Technology) began selling Internet accounts to the general public . In 2006 , revenues from the Iranian telecom industry were estimated at \$ 1.2 billion . In 2006 , Iran had 1,223 Internet Service Providers (ISPs) , all private sector operated . As of 2014 , Iran has the largest mobile market in the Middle East , with 83 million mobile subscriptions and 8 million smart phones in 2012 .

According to the World Bank , Iran 's information and communications technology sector had a 4 % share of GDP in 2008 . Around 150,000 people work in this sector , including 20,000 in the software industry . 1,200 IT companies were registered in 2002 , 200 in software development . In 2014 software exports stood at \$ 400 million . By the end of 2009 , Iran 's telecom market was the fourth largest in the Middle East at \$ 9.2 billion and was expected to reach \$ 12.9 billion by 2014 at a compound annual growth rate of 6.9 % .

=== Transport ===

Iran has an extensive paved road system linking most towns and all cities . In 2011 the country had 173,000 kilometres (107,000 mi) of roads , of which 73 % were paved . In 2007 there were approximately 100 passenger cars for every 1,000 inhabitants . Trains operated on 11,106 kilometres (6,901 mi) of track .

The country 's major port of entry is Bandar Abbas on the Strait of Hormuz . After arriving in Iran , imported goods are distributed by trucks and freight trains . The Tehran - Bandar Abbas

railroad , opened in 1995 , connects Bandar @-@ Abbas to Central Asia via Tehran and Mashhad . Other major ports include Bandar Anzali and Bandar Torkaman on the Caspian Sea and Khoramshahr and Bandar Imam Khomeini on the Persian Gulf . Dozens of cities have passenger and cargo airports . Iran Air , the national airline , was founded in 1962 and operates domestic and international flights . All large cities have bus transit systems and private companies provide intercity bus services . Tehran , Mashhad , Shiraz , Tabriz , Ahvaz and Isfahan are constructing underground railways . More than one million people work in the transportation sector , accounting for 9 % of 2008 GDP .

= = International trade = =

Iran is a founding member of OPEC and the Organization of Gas Exporting Countries . Petroleum constitutes 80 % of Iran 's exports with a value of \$ 46 @.@ 9 billion in 2006 . For the first time , the value of Iran 's non @-@ oil exports is expected to reach the value of imports at \$ 43 billion in 2011 . Pistachios , liquefied propane , methanol (methyl alcohol) , hand @-@ woven carpets and automobiles are the major non @-@ oil exports . Copper , cement , leather , textiles , fruits , saffron and caviar are also export items of Iran .

Technical and engineering service exports in 2007 ? 08 were \$ 2 @.@ 7 billion of which 40 % of technical services went to Central Asia and the Caucasus , 30 % (\$ 350 million) to Iraq , and close to 20 % (\$ 205 million) to Africa . Iranian firms have developed energy , pipelines , irrigation , dams and power generation in different countries . The country has made non @-@ oil exports a priority by expanding its broad industrial base , educated and motivated workforce and favorable location , which gives it proximity to an estimated market of some 300 million people in Caspian , Persian Gulf and some ECO countries further east .

Total import volume rose by 189 % from \$ 13 @.@ 7 billion in 2000 to \$ 39 @.@ 7 billion in 2005 and \$ 55 @.@ 189 billion in 2009 . Iran 's major commercial partners are China , India , Germany , South Korea , Japan , France , Russia and Italy . From 1950 until 1978 , the United States was Iran 's foremost economic and military partner , playing a major role in infrastructure and industry modernization . It is reported that around 80 % of machinery and equipment in Iran is of German origin .

Since the mid @-@ 1990s , Iran has increased its economic cooperation with other developing countries in " south @-@ south integration " including Syria , India , China , South Africa , Cuba and Venezuela . Iran 's trade with India passed \$ 13 billion in 2007 , an 80 % increase within a year . Iran is expanding its trade ties with Turkey and Pakistan and shares with its partners the common objective to create a common market in West and Central Asia through ECO .

Since 2003 , Iran has increased investment in neighboring countries such as Iraq and Afghanistan . In Dubai , UAE , it is estimated that Iranian expatriates handle over 20 % of its domestic economy and account for an equal proportion of its population . Migrant Iranian workers abroad remitted less than \$ 2 billion home in 2006 . Between 2005 and 2009 , trade between Dubai and Iran tripled to \$ 12 billion ; money invested in the local real estate market and import @-@ export businesses , collectively known as the Bazaar , and geared towards providing Iran and other countries with required consumer goods . It is estimated that one third of Iran 's imported goods and exports are delivered through the black market , underground economy , and illegal jetties .

= = = Foreign direct investment = = =

In the 1990s and early 2000s , indirect oilfield development agreements were made with foreign firms , including buyback contracts in the oil sector whereby the contractor provided project finance in return for an allocated production share . Operation transferred to National Iranian Oil Company (NIOC) after a set number of years , completing the contract .

Unfavorable or complex operating requirements and international sanctions have hindered foreign investment in the country , despite liberalization of relevant regulations in the early 2000s . Iran absorbed \$ 24 @.@ 3 billion of foreign investment between the Iranian calendar years 1993 and

2007 . The EIU estimates that Iran 's net FDI will rise by 100 % between 2010 and 2014 .

Foreign investors concentrated their activities in the energy , vehicle manufacture , copper mining , construction , utilities , petrochemicals , clothing , food and beverages , telecom and pharmaceuticals sectors . Iran is a member of the World Bank 's Multilateral Investment Guarantee Agency . In 2006 , the combined net worth of Iranian citizens abroad was about 1 @.@ 3 trillion dollars .

According to the head of the Organization for Investment , Economic and Technical Assistance of Iran (OIETAI) , in 2008 Iran ranked 142 among 181 countries in working conditions . Iran stands at number 96 in terms of business start @-@ ups , 165 in obtaining permits , 147 in employment , 147 in asset registration , 84 in obtaining credit , 164 in legal support for investments , 104 in tax payments , 142 in overseas trade , 56 in contract feasibility and 107 in bankruptcy . Firms from over 50 countries invested in Iran between 1992 and 2008 , with Asia and Europe the largest participants as shown below :

The economic impact of a partial lifting of sanctions extends beyond the energy sector ; the New York Times reported that " consumer @-@ oriented companies , in particular , could find opportunity in this country with 81 million consumers , many of whom are young and prefer Western products " . Iran is considered " a strong emerging market play " by investment and trading firms . Opening Iran ' s market place to foreign investment could also be a boon to competitive multinational firms operating in a variety of manufacturing and service sectors , worth \$ 600 billion to \$ 800 billion in new investment opportunities over the next decade .

= = = Iran and the World Trade Organization = = =

Iran has held observer status at the World Trade Organization (WTO) since 2005 . Although the United States has consistently blocked its bid to join the organization , observer status came in a goodwill gesture to ease nuclear negotiations between Iran and the international community .

Should Iran eventually gain membership status in the WTO , among other prerequisites , copyrights will have to be enforced in the country . This will require a major overhaul . The country is hoping to attract billions of dollars ' worth of foreign investment by creating a more favorable investment climate through freer trade . Free trade zones such as Qeshm , Chabahar and Kish Island are expected to assist in this process . Iran allocated \$ 20 billion in 2010 to loans for the launch of twenty trade centers in other countries .

= = = International sanctions = = =

After the Iranian Revolution in 1979 , the United States ended its economic and diplomatic ties with Iran , banned Iranian oil imports and froze approximately \$ 11 billion of its assets . In 1996 , the U.S. Government passed the Iran and Libya Sanctions Act (ILSA) which prohibits U.S. (and non @-@ U.S.) companies from investing and trading with Iran in amounts of more than \$ 20 million annually . Since 2000 exceptions to this restriction have been made for items including pharmaceuticals and medical equipment .

Iran 's nuclear program has been the subject of contention with the West since 2006 over suspicions of its intentions . The UN Security Council imposed sanctions against select companies linked to the nuclear program , thus furthering the country 's economic isolation . Sanctions notably bar nuclear , missile and many military exports to Iran and target investments in oil , gas and petrochemicals , exports of refined petroleum products , as well as the Iranian Revolutionary Guard Corps , banks , insurance , financial transactions and shipping . In 2012 the European Union tightened its own sanctions by joining the three decade @-@ old US oil embargo against Iran . In 2015 , Iran and the world powers reached a deal on Iran 's nuclear program that will remove the main sanctions against Iran by early 2016 .

= = = = Effects = = = =

According to Undersecretary of State William Burns , Iran may be losing as much as \$ 60 billion annually in energy investment . Sanctions are making imports 24 % more costly on average . In addition , the latest round of sanctions could cost Iran annually \$ 50 billion in lost oil revenues . Iran is increasingly using barter trade because its access to the international dollar payment system has been denied . According to Iranian officials , large @-@ scale withdrawal by international companies represents an " opportunity " for domestic companies to replace them .

The IEA estimated that Iranian exports fell to a record of 860 @,@ 000 bpd in September 2012 from 2 @.@ 2 million bpd at the end of 2011 . This fall led to a drop in revenues and clashes on the streets of Tehran when the local currency , the rial , collapsed . September 2012 output was Iran 's lowest since 1988 .

The U.S. Energy Department has warned that imposing oil embargoes on Iran would increase world oil prices by widening the gap between supply and demand . According to the U.S. Iran could reduce the world price of crude petroleum by 10 % , saving the United States annually \$ 76 billion (at the proximate 2008 world oil price of \$ 100 / bbl) .

According to NIAC , sanctions cost the United States over \$ 175 billion in lost trade and 279 @,@ 000 lost job opportunities . Between 2010 and 2012 , sanctions cost the E.U. states more than twice as much as the United States in terms of lost trade revenue . Germany was hit the hardest , losing between \$ 23 @.@ 1 and \$ 73 @.@ 0 billion between 2010 ? 2012 , with Italy and France following at \$ 13.6- \$ 42 @.@ 8 billion and \$ 10.9- \$ 34 @.@ 2 billion respectively .

From positive growth , sanctions have reduced GDP growth to -5 % in 2013 . The unofficial unemployment rate was 20 % by mid @-@ 2012 . Oil exports dropped to 1 @.@ 4 million bpd in 2014 from 2 @.@ 5 million bpd in 2011 . By 2013 , Iran had \$ 80 billion in foreign exchange reserves frozen overseas . Automobile production declined 40 % between 2011 and 2013 . According to the U.S. government in 2015 , Iran ? s economy has reached a point where it is " fundamentally incapable of recovery " without a nuclear accommodation with the West .