

Iran



In June 2013 it was no accident that virtually the first international ‘leader’ to congratulate Iranian president-elect Hassan Rouhani on his overwhelming, and surprising, election victory was Lebanon’s Hezbollah leader, Said Hassan Nasrallah. The Hezbollah leader’s praise was certainly fulsome, saying that ‘as we congratulate you and ourselves, too, on this decent and wonderful election, we turn to God Almighty... to bless you and support you and make you able, through a government of hope, to achieve all the hopes.’ Quite whose hopes could only be guessed at, but with Hezbollah the guessing game was not that difficult. Mr Nasrallah went on to say that ‘We in Hezbollah-Lebanon and with us all the Mujahideen and this resistance country (by which he probably meant Lebanon), offer our blessing on the occasion of winning deservedly the confidence of the great nation.’

In simple terms, Hezbollah are Iran’s proxies in the Levant. The deployment of Hezbollah militia to support the

discredited Syrian President Bashar al Assad could not have happened without Iranian approval. It appeared that the Hezbollah militia – well armed and well trained – were the deciding factor in the Syrian régime’s victory in the battle to re-take Qusair. Iranian assistance to Assad went further, however. Iranian Revolutionary Guards are reported to be in Syria and Iran has for some time been supplying weapons and ammunition. Teams of Iranian internal security operatives and their backup technology are also said to be assisting the beleaguered Syrian government. Much of Iran’s foreign policy is determined by one of the failed presidential candidates, Aki Akbar Velayati (who didn’t even make it to the third spot in the election), Supreme Leader Ayatollah Ali Khamenei’s long-time special advisor on foreign affairs. Velayati has a relatively high international profile as Iran’s longest serving minister – including the post of foreign minister from 1981 to 1997. Iran’s alliance with Syria dates back to the 1980s when Velayati negotiated an agreement

KEY FACTS

Official name: Jomhoori e Islami e Iran (Islamic Republic of Iran)

Head of State: Supreme Leader, Grand Ayatollah Seyyed Ali Khamenei (from 4 June 1989)

Head of government: President Hassan Rouhani (from 3 August 2013)

Ruling party: Conservatives (coalition of five political parties led by United Front of Conservatives (UFC)) (from 2004; re-elected 2 Mar 2012)

Area: 1,648,195 square km

Population: 76.12 million (2012)*

Capital: Tehran

Official language: Farsi (Persian)

Currency: Rial (IR) 10 rials = 1 toman

Exchange rate: IR12,394.00 per US\$ (Jul 2013)

GDP per capita: US\$7,211 (2012)*

GDP real growth: -1.87% (2012)*

GDP: US\$548.89 billion (2012)*

Unemployment: 12.47% (2012)*

Inflation: 30.60% (2012)*

Oil production: 3.68 million bpd (2012)

Natural gas production: 106.50 billion cum (2012)

Balance of trade: US\$55.65 billion (2011)

* estimated figure

with Syria to form a common front against both Israel and the USA.

Election surprises

With a week to go, it had looked as though Saeed Jalili was the man (the prospect of a female candidate was simply unthinkable) most likely to succeed in the mid-June election. Mr Jalili probably did himself no favours by declaring in a television speech that in Iran ‘The main role in life for a woman is to be a mother.’ The speech probably cost him the urban female vote. The shock result left all observers and analysts wrong-footed. Few had even considered Mr Rouhani as a long-shot. However, the moderate cleric Hassan Rouhani had enjoyed a late day onrush of support from Iran’s educated, its youth, its women and its generally disenfranchised. Mr Rouhani was perceived to be the *de facto* reformist candidate. After his surprisingly strong showing, Mr Rouhani was quickly declared the winner of the presidential vote as a hitherto silent majority of reform-minded Iranians sought to look to recover the lost ground of years characterised by electoral fraud and often violent crackdowns. The former nuclear negotiator’s strong showing allowed him to avoid a two-person runoff, by demonstrating – despite the odds against it – the strength of opposition sentiment. The ruling clergy had barred from the election contest any reform candidates they considered to enjoy too high a profile, preferring to support a list of hopefuls who were for the most part supporters of the supreme leader.

Very much at the eleventh hour, Iran’s loosely constituted opposition had

adopted Rouhani as the best of an otherwise indifferent list. Iran’s presidential elections offer a glimpse of sorts into the political backdrop, although in themselves the elections are little more than a shop-window, which since the disputed outcome in 2009 have less and less to do with the power-play that continues within the theocratic corridors of power. Iran’s ruling clerics and their military guardians carefully retain political power, alongside an array of security forces who are constantly on alert to order widespread arrests to avoid a repeat of the chaos, disruption and embarrassment of events surrounding the 2009 presidential election, thought to have been fixed to keep the maverick Mahmoud Ahmadinejad in power for his second and final term. With 50.7 per cent of the more than 36 million votes cast, Rouhani was comfortably ahead of the runner-up, Tehran’s mayor Mohammad Bagher Ghalibaf who polled only 16.5 per cent. The hard-line nuclear negotiator Saeed Jalili came in third with 11.3 per cent followed by conservative Mohsen Rezaee with 10.6 per cent. The election turnout was surprisingly high, at 72.7 per cent, implying that the boycott planned by liberals and democrats did not, in fact, take place. The high turnout meant that voting time had to be officially extended by 5 hours.

Now what?

Mr Rouhani has promised to ‘open all the locks that have been fastened on peoples’ lives.’ Emphasising his apparent desire to turn a new presidential leaf, the new president has gone on record that ‘We won’t let the last eight years be continued. I’ll

pursue a policy of reconciliation and peace.’ His chief of staff, Reza Nematzadeh, promised that a Rouhani presidency would be ‘100 per cent different’ from that of his predecessor. Whether, or when, these promises would in fact be fulfilled, however, remain a moot point. Rumours abounded that the leaders of the opposition ‘Green’ movement, Mir-Hossein Moussavi and Mehdi Karoubi, so cynically suppressed in the 2009 elections, would be released from house arrest by the new president. The two leaders’ names had begun to be chanted at pro-Rouhani electoral rallies. But by non-Iranian criteria Mr Rouhani is anything but liberal. He is a long-time member of the ruling theocracy and had chosen to remain silent over the question of police and militia brutality in 2009. Having served as an army commander in the Iran-Iraq war, he worked his way up the political ladder, becoming his country’s senior negotiator in the fraught discussions with Western representatives over Iran’s nuclear capacity. He was, however, quick to distance himself from the Ahmadinejad regime, criticising what he called a ‘securitised’ atmosphere.

Thus, the Rouhani victory could turn out to be simply a touch on the tiller rather than the *volte face* so many younger Iranians long for. The alliance between the more reactionary ruling clerics and the commanders of the Revolutionary Guard continues to wield effective power; decisions on Syria, the nuclear programme and Iran’s relationships with the US and the EU are unlikely to change much. Whether the Rouhani victory constitutes a sea-change in Iranian politics, or is simply window-dressing remained uncertain at the time of writing. Is it the harbinger of more moderate voices in a complex dialogue? It certainly places at centre stage an Iranian president who has publicly endorsed dialogue rather than confrontation with the West.

Divisions

Reflecting a wider national divide, Rouhani had won the support of North Tehran’s middle classes, many living some 500 symbolic metres above their underprivileged neighbours to the south. The residents of North Tehran enjoy a standard of living well above that of the *soi-disant* middle classes of many Arab countries. In earlier elections they had also been naturally inclined to support political reformists such as the former presidents Ali Akbar Rafsanjani (1988–97) and Mohammad Khatami (1997–2005). In the

KEY INDICATORS		Iran				
	Unit	2008	2009	2010	2011	2012
Population	m	72.58	73.65	74.73	*75.86	*76.12
Gross domestic product (GDP)	US\$bn	333.20	330.50	357.20	482.40	*548.89
GDP per capita	US\$	4,573	4,460	4,741	6,360	*7,211
GDP real growth	%	0.6	3.5	3.2	2.0	*-1.9
Inflation	%	25.4	10.3	12.5	21.3	*30.6
Unemployment	%	10.4	11.9	13.5	12.3	*12.5
Oil output	'000 bpd	4,325.0	4,216.0	4,245.0	4,321.0	3,680.0
Natural gas output	bn cum	116.3	131.2	138.5	151.8	106.5
Exports (fob) (goods)	US\$m	116,350.0	78,050.0	87,534.0	131,795.0	–
Imports (fob) (goods)	US\$m	57,230.0	51,450.0	66,599.0	76,148.0	–
Balance of trade	US\$m	15,120.0	26,600.0	20,935.0	55,647.0	–
Current account	US\$m	23,987.0	7,931.0	27,330.0	59,382.0	*26,765.0
Exchange rate	per US\$	9,428.53	9,864.00	10,254.00	10,512.57	*12,260.00

* estimated figure

disputed 2009 election, they had been behind the defeated candidates Moussavi and Karoubi. In contrast, the residents of South Tehran, often over 15 kilometres distant from their political opposites to the north, remained faithful to the theocratic rule of the Mullahs. The Tehran divide is, in psephological terms, not merely of interest, but also relevant to predicting the likely electoral outcome. Almost 70 per cent of Iran's voters live in the Greater Tehran metropolis. Not since the 1979 incorporation of the Islamic Republic have international observers been admitted to Iran's elections.

Ayatollah Khamenei ratified the vote on 3 August after which Iran's new president took the oath in parliament. The new president certainly seems to offer a more measured and experienced approach than his often hyper-active predecessor. He is reportedly fluent in English, German, French, Russian and Arabic; however, some uncertainty clouds claims that he has a law doctorate from Glasgow Caledonian University. The university, formerly Glasgow Polytechnic, appeared not to hold any record of his doctorate. Perhaps paradoxically, the only reformist contesting the election was also the only cleric in the electoral running.

A good public speaker, Rouhani drew large crowds wherever and whenever he was on the campaign trail. Often unexpectedly, he spoke of reform, promising to free political prisoners, to guarantee civil rights and promising to return 'dignity to the nation'. In televised debates, he raised taboo subjects, such as the nuclear stand-off (which as a former negotiator he was well equipped to understand), damaging international sanctions, the dire state of the economy and Iran's extreme isolation in the international community. He vowed to restore diplomatic ties with the United States, broken off following the

1979 seizure of the US embassy in Tehran by Islamist students. Rouhani has also held several parliamentary posts including that of deputy speaker and as Supreme Leader Ayatollah Ali Khamenei's representative at the Supreme National Security Council. At the time of the election, Rouhani headed the Expediency Council's Strategic Research Centre (an advisory body to the Supreme Leader). More recently, according to the London based BBC, Rouhani had supported the demonstrations that broke out after the 2009 election and had criticised the government for opposing what he saw as the people's right to protest peacefully. More saliently, he had been among those openly criticising the outgoing Ahmadinejad, saying that his 'careless, uncalculated and unstudied remarks' had cost Iran dearly.

The economy languishes

The sanctions put in place by the US and the EU have had an effect on Iran's already long-suffering population. The sanctions, designed to answer Iran's steadfast refusal to restrict its nuclear programme, have more than halved oil exports and accelerated inflation and unemployment. A study commissioned by the International Campaign for Human Rights in Iran noted that 'the implementation of comprehensive multilateral sanctions in 2012 targeted all sectors of the Iranian economy and took direct aim at Iran's principle source of revenue, its oil sector. When combined with the economic policies of the Iranian government – particularly those enacted under the administration of Ahmadinejad, which exacerbated inflation and unemployment and left the import- and oil-dependent Iranian economy deeply vulnerable – the sanctions severely amplified the economic costs to the Iranian population.' Continued régime mis-management made

matters worse; the report noted that the Iranian government's 'under-allocation of resources for the import of critical items such as medicines has produced a crisis for many Iranians'. The sanctions and the régime's clumsy policies simply combined to a widespread, debilitating effect. Financial, shipping and insurance prohibitions made the movement of any goods into or out of Iran prohibitively expensive, while banking sanctions cut off payment channels for transactions. As a result, it has become difficult to maintain essential imports, including foods, medicines and other humanitarian items that are explicitly exempt from sanctions, as well as the inputs and raw materials upon which Iran's industries depended.

Meanwhile, as Iran's oil revenues halved, it became difficult, if not impossible, for the government and Bank Markazi Jomhuri Islami Iran (Bank Markazi) (the central bank) to maintain the currency and slow the sharp decline in the value of the rial. Inflation rose to some 50 per cent, or even higher in certain sectors. The standard of living of all wage-earners plummeted and an increasing number of unemployed workers and their families were being pushed into poverty and malnutrition. The study also showed that Iran's industries were hit hard. Sanctions reduced access to and significantly raised the cost of the hard currency that the country's manufacturing sector required for the purchase of inputs, while transaction costs also rose significantly. Since 2012, the number of bankruptcies, layoffs and plant closures have substantially increased and workers' wages are often paid irregularly. Iran's 15 million workers and their dependants face an increasing struggle to meet the rising costs of rent and food and the growing ranks of the unemployed face dispossession and hunger.

Historic deal

At 4.30 in the morning of 25 November an historic agreement was reached with Iran to curb its nuclear programme in hopes of preventing Tehran from building a nuclear bomb. The deal came after intense negotiations between Iran and the P5+1 (the five permanent members of the US Security Council and Germany). It was generally felt that the agreement

would not have been possible had not Hassan Rouhani been successful in the June presidential elections. It also appears that there had been secret negotiations between US secretary of state, William Burns, and senior Iranian officials, for several months. Some of the talks, most of which were held in Oman, dated back to the time of former president, Mahmoud Ahmadinejad.

Anne Penketh, in an article published in *The Independent* on 25 November, noted that 'The first nuclear deal with Iran in almost a decade has already jolted strategic alliances around the Middle East region, where unlikely bedfellows Israel and Saudi Arabia have joined forces to voice their opposition.'

The crisis in the country's healthcare system has also become acute, according to the study. Iran depends upon imports for its stock of medical equipment, for the raw materials its pharmaceutical industry uses to manufacture medicines and for advanced drugs used to treat life-threatening diseases. Due to the banking sanctions and Iran's expulsion from SWIFT (the international currency transfer system), there are few channels through which payments can be made to Western suppliers. The most vital drugs for cancer and other severe diseases have become increasingly scarce and the steep inflation caused by the shortages has made what little is available beyond the reach of most Iranians.

'Appropriate' economic performance?

In its annual review of the national economy for Iranian year 1390 (21 March 2011–22 March 12) Bank Markazi endeavoured to put a brave front on events, stating that 'The performance of the Iranian economy in 1390 was fairly well' (sic). Bank Markazi comments that in the year, as the first year of the fifth Five Year Development Plan (FYDP) 2011–15 the growth performance in the services, manufacturing and mining and agriculture sectors was 'appropriate' while 'liquidity management and inflation containments (sic) were successfully implemented, although the energy price reform programme was thought to have high impacts on price level.' The Bank noted that all these achievements were attained against 'the backdrop of uncertainties and limitations emanating from unjustified international sanctions affecting all sectors of the Iranian economy.'

The Bank Markazi's preliminary data indicated that gross domestic product (GDP) surged by about 4.0 per cent, at constant 1997/98 prices, in the first nine months of 1390. This rate of GDP growth was lower than that of the previous year (5.5 per cent GDP growth in the corresponding period of the previous year), although 'the weaker growth of 2011/12 was anticipated in the light of the adjustments following the implementation of the energy price reform programme. The major economic uncertainties in 2011/12 showed themselves in the very weak performance of gross fixed capital formation, which grew by only 1.2 per cent in the first nine months of 1390, at constant prices, indicating a much weaker performance (a decline of 4.5 percentage points) compared with the corresponding figure of the previous year.

IMF relations

In April 2012 a delegation from Bank Markazi had held a meeting with Christine Lagarde, the International Monetary Fund's (IMF) managing director. Unsurprisingly, the Bank reported that 'On the agenda were a number of monetary and banking issues', notably what the Bank Markazi described as the 'unfair financial and oil sanctions against Iran'. The Iranian delegation's leader, Dr Bahmani of the Bank Markazi, was at pains to point out that Iran was one of the first countries to join the IMF and expected the IMF to support its membership. Endeavouring to widen the implications of sanctions, Dr Bahmani highlighted what he described as their 'destructive' effects on the world economy, referring to its impact in slowing growth and rising inflation in Europe as well as in emerging markets and developing countries. Dr Bahmani added that the oil sanctions would adversely affect low-income oil importing countries and asked the IMF to come up with strategies to counter the negative impact of Iran's oil sanctions on the economies of these countries. If this was an attempt to have the sanctions lifted or eased, it certainly didn't work.

In its July 2011 (pre-sanctions) assessment of the Iranian economy (in mid-2013 no later reports were available), the IMF had noted that Iran had begun to implement a major subsidy reform by raising sharply the prices of energy and agricultural products in December 2010, removing close to US\$60 billion dollars (about 15 per cent of GDP) in annual product subsidies. The subsidy reform had been expected to increase efficiency and competitiveness, to improve income distribution, reduce poverty and help Iran unlock its full growth potential.

Economic growth had rebounded from the cyclical downturn in 2008/09 to reach 3.2 per cent by 2010/11, spurred by a recovery in agriculture production and higher oil prices. Building upon its success in reducing inflation from 25.4 per cent in 2008/09 to 12.4 per cent in 2010/11, Bank Markazi was able to contain inflation in the aftermath of the subsidy reform. As a result, consumer price inflation only increased from 10.1 per cent in December to 14.2 per cent at end-May 2011.

On the backdrop of high oil prices and expected efficiency gains resulting from the domestic subsidy reform, the outlook in 2011 had been positive, with growth expected to rebound in the medium-term.

Average inflation was expected to rise in 2011/12 because of a steep increase in prices, but was predicted to come down in 2012/13 if the authorities implemented sufficiently tight credit and fiscal policies. The fiscal balance and the current account surplus had been projected by the IMF to improve in line with the rise in oil prices in 2011/12.

Visions and revisions

In a more recent and sombre (April 2013) assessment, the World Bank notes that Iran is the second largest economy in the Middle East and North Africa (MENA) region in terms of GDP – US\$484 billion in 2012 (after Saudi Arabia) and in terms of population – 78 million people (after Egypt). It is characterised by a large hydrocarbon sector, small scale private agriculture and services and a noticeable state presence in manufacturing and finance. In 2010, the service sector (including government) contributed 55 per cent to GDP, followed by manufacturing with 22 per cent, agriculture with 14 per cent and oil and gas with 9 per cent. In the view of the World Bank, aggregate GDP and government revenues are intrinsically volatile, fluctuating with the international prices of these commodities despite the Oil Stabilisation Fund and the newly established national development fund (in 2011/12).

The Iranian authorities have adopted a comprehensive strategy envisioning market-based reforms as reflected in the government's 20-year Vision document and Iran's fifth FYDP 2011–15. However, the Iranian state still plays a key role in the economy, owning large public and quasi-public enterprises which partly dominate the manufacturing and commercial sectors. The government envisions a large privatisation programme in its FYDP, aiming to privatise some 20 per cent of state-owned enterprises (SOEs) each year. However, the Iranian Revolutionary Guards Corps and other semi-governmental enterprises have reportedly purchased controlling shares in numerous SOEs that were offered to private investors in the stock market through the government's privatisation programme. The financial sector is also dominated by public banks. Moreover, Iran's 2012 World Bank Doing Business ranking at 144 is in the bottom tier of the MENA region. Only Algeria, Iraq and Djibouti rank lower among MENA countries. However, the authorities have adopted a comprehensive strategy as reflected in their 20-year vision plan and the Fifth FYDP to ensure the implementation of market-based reforms.

The government has launched a major reform of its indirect subsidy system, which, if successful will markedly improve the efficiency of expenditures and economic activities. The overall subsidies were estimated to cost 27 per cent of GDP in 2007/2008 (approximately US\$77.2 billion). The government has opted for a direct cash transfer programme while substantially increasing the prices of petroleum products, water, electricity, bread and a number of other products. However, political wrangling between the then administration and the parliament as well as economic hardship due to sanctions postponed the implementation of the second phase of the reform programme.

Economic growth had increased by 4 per cent in 2009/10 while prudent macro-economic policies reduced inflation to about 10 per cent and ensured a fiscal surplus. The initial impact of the removal of the substantial energy and food subsidies in December 2010 did not suppress Iran's economic performance in part also due to prudent initial macro-economic policies and the government's substantial cash transfers programme to households. However, stricter international economic sanctions, in particular the European Union's embargo on Iranian crude oil since July 2012, led to a sharp decline in oil exports. The impact of recent sanctions pushed the economy to contract in 2012. The increase in prices for (imported) inputs due to higher energy prices and the sharp depreciation of the (black market) exchange rate for the rial also started to suppress the performance of Iran's non-hydrocarbon industrial sector. The currency lost an estimated 80 per cent in value against the US dollar between March 2012 and March 2013 and is likely to further depreciate. For instance, Iran's sizeable pharmaceutical industry is reportedly struggling to import essential raw materials. Moreover, the number of bankruptcies appears to be on the rise while factories are reported to be working at only half their capacity.

The medium-term outlook for economic growth is negative due to the impact of the stricter economic sanctions which are expected to reduce revenues from oil exports and to impede corporate restructurings. The speed of economic adjustment to higher energy prices after the subsidy reform will depend crucially on the corporate sector's ability to offset increased input costs. In principle, the subsidy reform can lead to more labour-intensive economic growth, reducing unemployment in the long term. However, the

stricter economic sanctions are expected to delay corporate restructurings as they reduce firms' access to foreign markets, inputs and more energy-efficient technologies. Moreover, the increase in inflation since 2011, in particular the increase in import inflation due to the devaluation of the rial, started to offset the potential medium-term efficiency gains of the subsidy reform. Rampant inflation would result in rapid erosion of domestic energy prices, thereby eroding the benefits of reform. Controlling inflation requires tightly co-ordinated monetary and fiscal policies. While such policies had been prudent in recent years, the devaluation of Iran's currency since the announcement of tighter international sanctions might trigger an upward adjustment of rapidly self-fulfilling inflation expectations. The official inflation rate was estimated at 28.7 per cent in 2012. Official data, however, is widely thought to understate actual inflation.

Iranian women have been playing an increasingly important role in the economy, though their market participation and employment rates remain limited. Iran's health outcomes have also improved considerably over the past twenty years. The mortality rate for children under five steadily declined from 65 (per 1,000) in 1990 to 27 in 2009. Similarly, the maternal mortality ratio per 100,000 live births declined from 150 to 30 during the same period. Consequently, health indicators are usually above regional averages. This success is based on the effective delivery of primary health care which almost balanced health care outcomes in rural and urban areas. Iran's 5th Five Year Development Plan from continues to focus on social policies.

Hydrocarbons

According to the United States government Energy Information Administration (EIA), in 2012, Iran saw unprecedented drops in its oil exports as sanctions by the US and EU were tightened, targeting Iranian oil export revenues. Preliminary data showed that Iran ranked fifth in terms of crude oil and condensate exports, in contrast to its third position only two years earlier. Given the sanctions and resulting drop in production, export volumes look likely to continue to be adversely affected. Iran has the world's second largest natural gas reserves, but the sector is underdeveloped and used mostly to meet domestic demand. In contrast to decreasing oil production, natural gas development has been slowly expanding. Nonetheless, natural gas production has been lower than

expected as a result of a lack of foreign investment and technology.

Natural gas accounted for about 59 per cent of Iran's total domestic energy consumption in 2010, with oil consumption at 39 per cent of total energy use, with a small contribution from coal and hydropower. The international sanctions enacted in 2011 and 2012 have hindered progress across Iran's energy sector, especially affecting upstream investment in both oil and natural gas projects. These have affected the Iranian energy sector more profoundly than any previously enacted sanctions, prompting a number of cancellations of upstream projects and resulting in declining oil production capacity. Sanctions have also impeded the import of refined products, effectively reshaping the midstream sector and forcing Iran to become self-sufficient.

According to the *US Oil & Gas Journal* (OGJ), in January 2013, Iran had an estimated 154 billion barrels of proven oil reserves, nine per cent of the world's total reserves and over 12 per cent of Organisation of the Petroleum Exporting Countries (Opec) reserves. Over 50 per cent of Iran's onshore oil reserves are confined to five giant fields, the largest of which are the Marun field (22 billion barrels), Ahwaz (18 billion barrels) and Aghajari (17 billion barrels). Of those onshore reserves, more than 80 per cent are located in the south-western Khuzestan Basin near the Iraqi border. Iran's crude oil is generally medium in sulphur content and in the 28° to 35° API gravity range. According to FACTS Global Energy (FGE), Iran also possesses reserves in the Caspian Sea totalling approximately 100 million barrels.

Iran faces continued depletion of its production capacity, as its fields have relatively high natural decline rates (8–13 per cent), coupled with an already low recovery rate of around 20–30 per cent. Sanctions and prohibitive contractual terms have impeded the necessary investment to halt this decline. Moreover, the sanctions enacted in late 2011 and throughout 2012 accelerated Iran's production capacity declines.

Iran's energy sector is very much an official fiefdom, overseen by the Supreme Energy Council, which was established in July 2001 and is chaired by no less than the President. The Council consists of the ministers of petroleum, economy, trade, agriculture and mines and industry. The state-owned National Iranian Oil Company (NIOC), under the supervision of the ministry of petroleum, is responsible for all upstream oil projects, encompassing

both production and export infrastructure. The National Iranian South Oil Company (NISOC), a subsidiary of NIOC, accounts for 80 per cent of oil production covering the provinces of Khuzestan, Bushehr, Fars and Kohkiluyeh and Boyer Ahmad. Nominally, NIOC also controls the refining and domestic distribution networks through its subsidiary, the National Iranian Oil Refining and Distribution Company (NIORDC), although functionally, there is a separation between the upstream and downstream sectors.

The EIA notes that the Iranian constitution prohibits foreign or private ownership of natural resources and all production-sharing agreements are prohibited under Iranian law. The government permits buyback contracts that allow international oil companies (IOCs) to enter into exploration and development contracts through an Iranian affiliate. The contractor receives a remuneration fee, usually an entitlement to oil or gas from the developed operation, leaving the contractor to provide the necessary capital up front. Once development of a certain field is complete, however, operatorship reverts back to NIOC or the relevant subsidiary. The payback of the capital cost is deducted from oil and gas sales revenues. According to FGE, the rate of return on buyback contracts varies between 12 and 17 per cent with a payback period of about five to seven years. Iran's fifth five-year development plan covering 2011–15 calls for an increase in crude oil production capacity to 5 million bpd in 2015. In addition, it identifies a need for US\$35 billion per year in upstream investment in both the oil and natural gas sector and anticipates that the majority of the funds would come from foreign investors under buyback contracts. However, given that the previous five-year (2005–10) plan saw total upstream investment of only about US\$10 billion, the latest plan likely will be difficult to implement, even without Western sanctions.

However, Iran's new petroleum minister, Bijan Zanganeh, has been reported as saying in mid-2013 that under the new political environment he is determined to engender more active participation between the international oil companies and local entities by revamping the oil contracts to make them more attractive. The new arrangements would be aimed at pursuing Iran's national interests more effectively and offering more appropriate incentives to international oil companies willing to invest in Iran's oil and gas development projects.

Production falters as sanctions bite

According to the EIA, Iran's crude oil production fell dramatically in 2012 and, although it remained the second-largest Opec producer on average during the year, it exceeded Iraq's production only narrowly. In August 2012, its crude oil production fell below Iraq's for the first time since 1989. Although Iran had been subject to four earlier rounds of United Nations sanctions, the much tougher measures passed by the US and the EU have severely hampered Iran's ability to export its oil, which directly affected its ability to produce petroleum and petroleum products.

According to the EIA, the US and EU measures that targeted Iran's petroleum exports and imports, prohibited large scale investment in the country's oil and gas sector and cut off Iran's access to European and US sources of financial transactions. Further sanctions were implemented against institutions, particularly targeting the central bank, while the EU imposed an embargo on Iranian oil and banned European Protection and Indemnity Clubs (P&I Clubs) from providing Iranian oil carriers with insurance and reinsurance.

In 2012, Iran produced approximately 3.5 million barrels per day (bpd) of total liquids, of which roughly 3.0 million bpd was crude oil. The total production level in 2012 was about 17 per cent lower than the production level of 4.2 million bpd in 2011, most of the drop is attributable to the imposition of sanctions. Condensate production totalled approximately 650 thousand bpd in 2011, according to the *Arab Oil and Gas Directory*, of which 440 thousand bpd was marketed and 210 thousand bpd was mixed in with the crude oil.

Once the third-largest exporter of crude oil, Iran saw its exports drop to 1.5 million bpd in 2012, according to the International Energy Agency (IEA). Iranian Heavy crude oil is Iran's largest crude export, followed by Iranian Light. In 2012, Iran's net oil export revenues amounted to approximately US\$69 billion, significantly lower than the US\$95 billion total generated in 2011. Oil exports normally make up around 80 per cent of Iran's total export earnings and 50–60 per cent of government revenue, according to figures published by the Economist Intelligence Unit. However, the importance of Iranian oil exports declined in 2012 as sanctions brought Iranian oil exports to a virtual standstill. This has particularly been the result of the imposition of insurance and reinsurance bans by European P&I Clubs

effective on 1 July 2012. European insurers underwrite the majority of

Risk assessment

Politics	Poor
Economy	Fair, deteriorating
Regional stability	Fair, but proximity to and involvement with Syria

COUNTRY PROFILE

Historical profile

1907 A constitution was introduced, limiting the royal absolutism of the ruler. An Anglo-Russian agreement (annulled after the First World War) divided Iran into spheres of influence, one Soviet and the other British.

1909–13 Following the discovery of a large oil field in Masjet Soleiman, the Anglo-Persian Oil Company (APOC) was founded in 1909. A licence to search for, refine, produce and export oil was granted to APOC in 1913.

1921–26 A Cossack officer, Reza Khan, carried out a military coup, becoming prime minister in 1923. Parliament subsequently proclaimed him the Shah, to be called Reza Shah Pahlavi, ushering in the Pahlavi era. His eldest son, Mohammed Reza was proclaimed crown prince.

1935 Persia was renamed Iran. APOC changed its name to the Anglo-Iranian Oil Company (AIOC); it was a British enterprise, owned jointly by the private sector and the British government. Later, the company was renamed British Petroleum (BP).

1941 In the Second World War, after Reza Shah demonstrated allegiance to Germany, the British and Soviets entered Iran and removed him from power. They permitted his son, Mohammad Reza Shah Pahlavi, to succeed to the throne.

1949 The power of the Shah was increased following an attempted assassination by the Tudeh communist party, which was then banned.

1950 Mohammed Mosaddeq, a leading advocate of oil nationalisation, was installed as prime minister, following the assassination of his predecessor.

1951 Iran's Assembly approved the nationalisation of the oil industry, which was formerly controlled by Britain. As a result, Britain boycotted the purchase of Iranian oil. A contest for control of the government began between the young Shah and the nationalistic Mosaddeq.

1953–54 Mainly due to oil interests, the British persuaded the US to help the Shah remove Mosaddeq. Large sectors of Iranian public opinion condemned the US and Britain for this coup and Mosaddeq became a folk hero of Iranian nationalism. Drilling concessions were granted to eight foreign oil companies.

1963 The Shah assumed complete control of the government and launched a programme of land reform and social and economic modernisation. He used Savak (the secret police) to control opposition to his reforms.

1978 Following several years of growing opposition to the Shah's rule, martial law was imposed.

1979 The Shah was overthrown by forces loyal to the exiled religious leader, Ayatollah Khomeini, who became *Valy e Faqih* (supreme spiritual leader) of Iran. The Shah and his family were forced into exile. The Islamic Republic of Iran was proclaimed following a referendum. Fifty-two staff members at the US Embassy in Tehran were taken hostage by Islamic militants, who demanded the extradition of the Shah from the US, where he was having medical treatment.

1980 Abolhassan Beni Sadr was elected president. The former shah died of cancer.

1980–88 The Iran-Iraq War broke out after Iraq invaded Iran over disputed border areas.

1981 The US Embassy hostages in Tehran were released.

1989 After Ayatollah Khomeini's death, Grand Ayatollah Seyyed Ali Khamenei was sworn in as Supreme Leader (Head of State). Ali Akbar Hashemi Rafsanjani was elected president on 3 August.

1990 A peace agreement with Iraq was signed.

1993 Ali Akbar Hashemi Rafsanjani was elected to a second term as president.

1995 Oil and trade sanctions were imposed by the US, which alleged that Iran had sponsored terrorist groups throughout the region, had sought to acquire nuclear arms and destabilised the Middle East peace process.

1996 The Combatant Clergy Society (CCS) remained the largest single political group in parliament.

1997 Moderate cleric Mohammad Khatami, was elected president.

2000 Elections to an expanded Majlis returned a majority for reformist candidates. Ayatollah Ali Khamenei halted a bill that would have revived Iran's banned reformist newspapers. The Oil Stabilisation Fund (OSF) was established, to use money accumulated when oil prices rise above a set level, to level out fluctuations in prices and to promote the private sector.

2001 President Khatami was re-elected for a second term. Saudi Arabia and Iran signed a security accord to combat terrorism, drug trafficking and organised crime.

2002 Iran released nearly 700 Iraqi prisoners held since the 1980–88 war. President Bush included Iran in an 'axis of evil' due to its supposed development of weapons of mass destruction (WMD). Iran

began construction of its first nuclear reactor.

2003 Parliament passed a bill guaranteeing free parliamentary elections. Iran came under pressure from the International Atomic Energy Agency (IAEA) over its nuclear energy programme. Subsequent IAEA inspections concluded there was no evidence of a weapons programme. A major earthquake hit the city of Bam in the southeast, killing 40,000 people and leaving the city in ruins.

2004 Over a third of parliament resigned after the Council of Guardians upheld the disqualification of more than 2,000 prospective reformist candidates hoping to stand in parliamentary elections, which were won by conservative candidates.

2005 Three villages were destroyed and 40 badly damaged when an earthquake struck central Iran. Mahmoud Ahmadinejad was elected president. He caused international concern when he suggested that Israel should be 'wiped off the map'.

2006 The UN Security Council (UNSC) voted to impose sanctions over Iran's refusal to stop uranium enrichment.

2007 The state-owned Bank Sepah was blacklisted by the US, accused of being the 'financial lynchpin' in Iran's efforts to procure material for its missile programme.

2008 President Ahmadinejad visited Iraq, the first visit by a president since the Iran/Iraq war in the 1980s. In parliamentary elections, candidates with a conservative affiliation won most seats. Iran test-fired nine missiles, including Shahab 3, which, with a range of over 2,000 kilometres, could reach Israel. The French oil company Total announced it would not be investing in Iran because the political situation was too risky. The company had been considering an investment in developing gas fields in the south of the country. Traders in Tehran's bazaar shut down for a month in protest at a new value added tax; traders in Isfahan, Mashad and Tabriz also shut down.

2009 Iran's first domestically produced telecommunications satellite was launched. Mahmoud Ahmadinejad won the presidential elections. There were immediate claims of vote rigging by opposition candidates but Iran's Supreme Leader Ayatollah Ali Khamenei endorsed the result and urged the defeated rivals against 'provocations'. Days of violence on the streets of Tehran followed, the Supreme Leader eventually ordered an inquiry into claims of vote rigging. However the Guardian Council, the top judicial body in Iran, confirmed Ahmadinejad as president. The government announced that there had been another successful test-fire

of the Shahab-3 missile, at the same time as international condemnation was growing of Iran's nuclear programme, including the (suspected) enrichment of low-grade uranium into weapons-grade uranium. Iran joined negotiations with the six major nuclear powers (US, Russia, China, UK, France and Germany) concerning its nuclear programme. IAEA inspectors were allowed to view Iran's nuclear sites including the known site, near the holy city of Qom.

2010 The highest denomination bank note was raised to IR100,000 (US\$10). The UNSC voted to impose further sanctions against Iran, for its lack of compliance with earlier UN resolutions to ensure the peaceful nature of Iran's nuclear programme. Foreign minister Manouchehr Mottaki was sacked by President Ahmadinejad in December while on an official visit to Senegal. Top nuclear official, Ali Akbar Salehi, was appointed as a temporary replacement. The government cut food and fuel subsidies – the cost of these subsidies was put at around US\$100 billion.

2011 Ali Reza Pahlavi, the younger son of the last Shah of Iran, committed suicide in January. His sister Leila had also committed suicide, in 2001. Akbar Hashemi Rafsanjani was replaced as head of the Assembly of Experts by Ayatollah Mohammad Reza Mahdavi Kani. In April intelligence minister Heydar Moslehi resigned unexpectedly. Although his resignation was accepted by President Ahmadinejad, he was rapidly reinstated by Ayatollah Ali Khamenei, (the highest authority in state affairs). In May Ahmadinejad declared himself 'acting' oil minister but said he would not attend the June Opec meeting in Vienna, even though Iran held the rotating chairmanship. Ahmadinejad supporter, Mohammad Sharif Malekzadeh, quit as deputy foreign minister three days after he took office. He was arrested a few days later, accused of corruption. The Iranian oil bourse, the Kish International Commodity Exchange, was officially launched in July, with 600,000 barrels of heavy crude oil for sale. The opening ended the government's complete control of the country's oil trade. In November the IAEA published its quarterly report which stated Iran appeared to be on a 'structured programme' which included computer models exclusively used to develop a trigger for a nuclear bomb. Iran rejected the report as 'unbalanced, unprofessional with political motivation...' The UK suspended all banking transactions with Iran in November as part of a series of international sanctions; France announced that it would no longer buy Iranian oil on a 'national basis', which had amounted to

some 49,000 barrels per year. The British embassy in Tehran and a British diplomatic compound in northern Tehran were stormed by hundreds of protestors, angry at British sanctions against Iran. All UK diplomatic staff and their families were evacuated on 30 November; all Iranian embassy staff in London were told to quit the UK within 48 hours. The foreign minister called the UK action 'hasty' and that appropriate action would be taken against the protestors. In December, the US disrupted a principal conduit for processing Iranian oil sales when it pressured the Noor Islamic Bank, based in Dubai (United Arab Emirates) to close the oil receipts facility provided to Iran. The loss was estimated to be up to 60 per cent of Iran's foreign oil sales and within a week of the end of transactions the rial fell by 12 per cent in value against a basket of foreign currencies.

2012 On 6 January international tensions rose when Iran announced that after the completion of 10 days of naval war-games in the Strait of Hormuz, which had included test flights of its missiles, it would hold further exercises from 21 January–19 February. It also threatened to block the Strait if the EU put an embargo on Iranian oil imports. In a tit-for-tat move that a Western official described as being simply to 'illustrate international resolve' to maintain free movement of shipping, six warships (four American, one British and one French) sailed through the Strait on 23 January.

On 24 January the IAEA said that the Iranian authorities had failed to clear up questions on the possible military aspects of its nuclear programme. On the same day the EU imposed sanctions on Iran's central bank and a ban on Iranian oil imports (scheduled for introduction on 1 July). The move was in response to Iran's stance on the enrichment of uranium. Insurance for oil tankers was increased by major UK companies in February. Inspectors from the IAEA arrived in Iran on 20 February for discussions with the government concerning Iran's nuclear programme and to clarify any 'possible military dimensions'. On 22 February the IAEA inspectors left Iran, having been denied access to inspect the Parchin site south of Tehran. In February, Iran proposed fresh talks on its nuclear programme.

Parliamentary (lower house) elections were held on 2 March, in which 3,400 candidates competed for 290 seats, representing 31 provinces. As few reforming candidates ran for election, the contest became largely one between those who supported President Ahmadinejad and those supporting Supreme Leader, Grand Ayatollah Ali Khamenei, both within the

Conservative coalition. International observers considered that the power struggle had been won by Ayatollah Khamenei. A rerun of 65 constituencies where no candidate won a minimum of 25 per cent of the vote was scheduled for April. Israel's Prime Minister Netanyahu met US President Obama on 6 March to discuss the repercussions of Iran becoming an armed nuclear power in the Middle East. While Obama said the US would take military action to protect its interests in the region, Netanyahu said little to counter concerns that Israel might use first-strike action against Iran before the end of 2012.

On 5 June the conservative critic of Ahmadinejad, Ali Larijani, was re-elected as Speaker of parliament (by 177 votes to 89 in parliament). Two earthquakes, minutes apart, struck in the north-west near Tabriz and Ahar, with most casualties in villages surrounding the towns. The initial casualties list was 180 dead and 1,300 injured, plus 50 per cent damage to 60 villages.

On 1 October the rial fell further – by around 18 per cent – and reached its lowest level against the US dollar; at one point the exchange rate was IR35,000 per US\$1. The rial has lost 80 per cent of its value since the end of 2011. On 2 October, President Ahmadinejad accused 'enemies' and Western sanctions on Iran for the sharp fall. He called the sanctions economic war.

2013 Hassan Rouhani won the presidential election held on 14 June. He secured just over 50 per cent of the vote thereby avoiding the need for a run-off; second placed was Mohammad Bagher Ghalibaf with 16 per cent with one-time favourite Saeed Jalili third with 11 per cent. Turn out was 72.2 per cent. He was congratulated by Supreme Leader Ayatollah Ali Khamenei and the result was greeted with enthusiasm by the people of Tehran who surged into the streets in celebration. Mr Rouhani himself, who has said that he will work for greater engagement with Western powers, said: 'This victory is a victory for wisdom, moderation and maturity... over extremism.' Hassan Rouhani was sworn in as President on 3 August and inaugurated on 4 August. At a press conference on 6 August President Rouhani called for 'serious and substantive' negotiations with the international community about its nuclear programme. In a move that may presage a less hardline attitude towards the West, President Rouhani announced in September that the foreign ministry would in future take charge of nuclear negotiations with the West, previously handled by the Supreme National Security Council. The European Court of Justice (ECJ) ruled on 6 September that

the EU should lift the sanctions on the assets of a number of banks and businesses. The court said there was insufficient evidence they were involved in nuclear proliferation. President Rouhani told the US broadcaster NBC that Iran would never build nuclear weapons, and that he had full authority to negotiate with the West over Tehran's controversial uranium enrichment programme. He also ordered the release of 11 political prisoners. In an historic speech to the UNSC President Rouhani said that although he considered the sanctions against Iran were 'violent', he was still prepared to enter into 'time-bound and results-oriented' talks on its nuclear programme. A hand shake with President Obama did not materialise, but a 15-minute telephone call was said to be cordial. President Rouhani's visit to the UN was widely hailed internationally as a success. On his return to Tehran President Rouhani was met by hardline protestors chanting 'Death to America' and throwing shoes and eggs, as well as supporters, including senior adviser to Supreme Leader Ayatollah Ali Khamenei, Ali Akbar Velayati. Supreme Leader Khamenei endorsed on his website diplomatic overtures to the US made last month by President Rouhani during his visit to New York. However, he also said that some of what had occurred 'was not appropriate'. British foreign secretary, William Hague, announced on 8 October that a *charge d'affaires* will be appointed to work with Iran, the first diplomatic appoint since the embassies were closed in November 2011. Iran will in turn appoint a *charge d'affaires* to work with the UK. Two days of talks (October 15 and 16) between Iran and world powers held in Geneva were described by the EU's top foreign policy official, Catherine Ashton, as 'the most detailed talks ever' on Iran's nuclear programme. Foreign minister, Mohammad Javad Zarif, called the talks 'substantive and forward-looking'.

Political structure

Constitution

Iran became an Islamic Republic in April 1979, having previously been a monarchy under the Shah. The constitution of the Islamic Republic was formally adopted in December 1979. The constitution also provides for representation in the Majlis Shura-e-Islami (Islamic Consultative Assembly) of non-Islamic minorities, Zoroastrians, Jews and Christians. However, power is wielded mainly by the Shi'a clergy.

Form of state

Islamic republic

The executive

The Wali Faqih (Supreme Leader of the Islamic Revolution) retains overall control of

all branches of government, including the judiciary and the revolutionary guard. He declares war and peace and can veto presidential nominations. His role combines spiritual leader, theological protector and supreme authority. The structure of the constitution is effectively split between the president, who is elected every four years, and the Supreme Leader, who has overall control. The Supreme Leader, in his role as theological protector, appoints the Council for the Protection of the Constitution. All legislation adopted by the Majlis Shura-e-Islami is scrutinised by the council to ensure that it is in keeping with Islamic principles and laws. The council consists of six religious lawyers. The Council of Guardians, composed of 12 jurists and clerics, has supervisory powers over elections and a right of veto over all legislation if it does not conform with Islamic law and the constitution. It is independent of the Supreme Leader. In 1986, the Expediency Council was established to mediate between the Majlis and the Council of Guardians. It is designed to resolve political decisions which cannot be solved through the main channels, but it is controlled by the spiritual leader.

A further adjunct to the Supreme Leader's power is the Assembly of Experts which consists of 83 clerics who elect the next Supreme Leader, interpret the constitution and approve Majlis decisions. The cumulative effect of this plethora of legislative institutions is that despite the enhancement of the president's power, following reform in 1989, he remains tightly constrained by these institutional checks and balances.

National legislature

The unicameral Majlis Shura e Islami (Islamic Consultative Assembly) has 290 members, elected for four-year terms. Although members of parliament are technically independent, the Majlis is now very loosely divided along party political lines between the conservative clergy groupings and reformists. The Majlis is elected by universal suffrage, with a voting age of 15.

The Majles e Khobregan (Assembly of Experts) is a body of 86 Islamic scholars who deliberate the election and dismissal of the Supreme Leader of Iran and supervise his activities. Members are popularly and directly elected from a government approved list, for eight-year terms in office.

Legal system

The judiciary is organised independently of the other branches of government. There are two types of courts: public and special. The Penal Courts, Special Civil Court and Islamic Revolution Courts

adjudicate on the basis of Islamic laws, fixed since 1979 for a wide range of crimes.

Last elections

14 June 2013 (presidential); 2 March and 4 May 2012 (parliamentary and re-runs)

Results: Presidential: Hassan Rouhani (Combatant Clergy Association) (50.88 per cent), Mohammad Bagher Ghalibaf (Islamic Society of Engineers) (16.46 per cent), Saeed Jalili (Front of Islamic Revolutionary Stability) (11.31 per cent), Mohsen Rezaee (Moderation and Development Party) (10.55 per cent), Ali Akbar Velayati (6.16 per cent). Turn out was 72.7 per cent.

Parliamentary: Conservatives (coalition of five political parties led by United Front of Conservatives (UFC)) won a combined total of 59.7 per cent of the vote (143 seats out of 290), Reformists (coalition of three parties led by Democratic Coalition of Reformists (DCR)) total 35.5 per cent (59), Religious minorities (coalition of four parties) 2.1 per cent (14), independents 2.5 per cent (nine); turnout was 64.2 per cent. Reruns (in 65 constituencies where no candidate won a minimum of 25 per cent of the vote): UFC won an additional 39 seats, Reformists 16, independents 19.

Next elections

2017 (presidential); 2016 (parliamentary)

Political parties

Ruling party

Conservatives (coalition of five political parties led by United Front of Conservatives (UFC)) (from 2004; re-elected 2 Mar 2012)

Main opposition party

Reformists (coalition of three parties led by Democratic Coalition of Reformists (DCR))

Population

76.12 million (2012)*

Last census: 28 October 2006: 70,495,782

Population density: 65 inhabitants per cent (1995–2001). Urban population 71 per cent (2010 Unicef).

Annual growth rate: 1.5 per cent, 1990–2010 (Unicef).

Ethnic make-up

The population is predominantly Persian (55 per cent), with the second largest group being Azeris, concentrated in the north-west. There are also Afghans (approximately two million Afghan refugees were repatriated by the UN refugee organisation in 2002), Kurds, Baluchis, Lurs, Turkmen, Arabs and nomads.

Religions

Islam of the Twelver Shi'a sect is dominant. A Sunni Muslim minority is concentrated in fringe areas of Iran. There are also small Baha'i, Christian, Jewish and Zoroastrian communities.

Education

Government expenditure on education was 37.2 per cent of the annual budget in 1999/2000, with 7.4 per cent for higher education and 4.0 per cent for research. Education is compulsory for eight years from the ages of six. This is not fully effective in rural areas. Primary education is free and lasts for five years. Secondary education begins at 11 years and lasts for up to seven years, with a first course of three years and a second course of four years.

Secondary education is split between intermediate (or 'guidance') schools and secondary schools. There are also technical, business and other specialised vocational schools.

Iran has 116 higher education institutes, 23 of which are full universities. Enrolment in the universities accounts for 68 per cent of Iran's 123,000 students, with the remainder enrolled in other institutes of higher education. Secondary education (Reform system) covers three years and a one-year pre-university programme.

Higher education is provided by comprehensive universities, specialised universities, universities of technology, medical universities, teacher training centres and private institutions. The Islamic Open University was established in 1981. It has around 100,000 students in 70 Iranian cities and towns. In addition, there are 131 teacher-training colleges, 107 teacher colleges for rural areas, 10 colleges for technical and vocational teachers, and 19 institutes of technology. Education became a state monopoly following the 1979 Revolution, but a law passed in 1987 provided for the creation of private schools under certain conditions. To keep pace with population growth, 10,000 new university educated teachers are required each year.

Literacy rate: 78.1 per cent total; 71.4 per cent female, adult rates in 2002 (World Bank).

Compulsory years: 6 to 14.

Enrolment rate: 98 per cent total primary enrolment of relevant age group; 77 per cent total secondary enrolment (World Bank).

Pupils per teacher: 30 in primary schools.

Health

The combined ministry of hygiene, medical care and education is the authority responsible for health and medical care, controlling all related offices and organisations in the private sector as well as those directly funded by the state. The Social Security Organisation (SSO) offers health insurance and runs 60 hospitals, 260 clinics and 30 medical record registration offices in the country.

Iran has adequate healthcare facilities in the cities, although it is generally insufficient in rural areas. The government has, however, created a large number of health clinics in small towns, as well as in villages, to serve the population of the surrounding area. The ministry has undertaken a national hygiene campaign by setting up 'hygiene houses' in many villages and towns.

Drug abuse is a serious problem in Iran, due to imports of cheap heroin and opium from Afghanistan, and there are an estimated two million drug addicts.

HIV/Aids

Intravenous drug users in Iranian prisons accounted for 65 per cent of HIV infections in the country. A programme has been implemented, by non-governmental agencies, working to reduce the harm of HIV/Aids among this group.

Rates of HIV/Aids infection among tuberculosis patients also rose and reached 4.2 per cent by mid-2001 (UNAID/WHO).

HIV prevalence: 0.1 per cent aged 15–49 in 2003 (World Bank)

Life expectancy: 70 years, 2004 (WHO 2006)

Fertility rate/Maternal mortality rate:

1.7 births per woman, 2010 (Unicef); maternal mortality 30 deaths per 100,000 live births (2008) (World Bank).

Child (under 5 years) mortality rate

(per 1,000): 18 per 1,000 live births (WHO 2012); 11 per cent of children aged under five are malnourished (World Bank).

Head of population per physician: 0.45 physicians per 1,000 people, 2004 (WHO 2006)

Welfare

A large number of organisations, usually autonomous, are responsible for social welfare. Various foundations manage sequestered property worth billions of US dollars. They are responsible for the care of families of men killed in the war with Iraq, for war refugees and for rural development. At the local level in the cities and towns, mosque committees (*komitehs*) have funds, which are made available for poorer families. The country's rationing system, that includes giving coupons for limited quantities of staple foods and other items at heavily subsidised prices, is also run through mosques.

Iran's Social Security Organisation (SSO) provides a list of services, including survivor's pension, subsidies to large families, retirement, unemployment and disability benefits.

The social security scheme covers some 260,000 factories, workshops and offices. The Foundation for the Refugees of the Imposed War operates under the authority of Iran's ministry of labour and social

affairs. It is responsible for the welfare of over two million of the country's internal refugees, or displaced persons, from the Iran-Iraq war.

Main cities

Tehran (capital, estimated population 8.8 million (m) in 2012), Mashhad (2.6m), Esfahan (1.8m), Karaj (2.7m), Tabriz (1.5m), Shiraz (1.3m), Qom (1.1m), Ahvaz (1.1m).

Languages spoken

Azeri Turkish is the second most popular language. English and Arabic are widely taught in high schools. In the cities, French and German are also spoken.

Official language/s

Farsi (Persian)

Media

The government maintains strict control of the media and imposes censorship, particularly of material with Western influence and any divergence from religious regulations. In 2007 the US-based human rights watchdog, Freedom House, rated Iran as 'not free', with one of the lowest scores worldwide, as all publications must be licensed and can be subject to closure, with criminal penalties for journalists for reporting 'propaganda against the state' and the intimidation of publishers, editors and journalist has included detaining, fines and in some cases torture.

Press

There are a large number of daily and weekly newspapers, which had a wide range of political stances; however since 2006 the government began a crack down on reformist publications. Newspapers are challenged by a falling readership, the small advertising market and the shortage of imported and locally produced paper.

Dailies: In Farsi, the main conservative newspapers include *Kayhan* (www.kayhannews.ir) the oldest and run by the office of the supreme leader, *Resalat* (www.resalat-news.com), favours a market economy, and *Jomhouri Eslami* (www.jomhourieslami.com), is linked to Ayatollah Ali Khamene'i with radical views on foreign policies. *Jaam e Jam* (www.jamejamonline.ir), has the largest circulation and is published by IRIB. Reformist newspapers include *Etemaad* (www.etemaad.com) and *Aftab e Yazd* (www.aftab-yazd.com). In English, *Iran News* (www.irannewsdaily.com), the *Tehran Times* (www.tehrantimes.com), is government-run, *Iran Daily* (www.iran-daily.com), is published by IRNA.

Weeklies: Magazines tend to be special interest publications. In Farsi, the *Chelcheragh* (www.40cheragh.org) is a social magazine and *Gozaresh*

(www.gozaresh.com), covers computers and technology.

Periodicals: The quarterly *Azari Majedi* (www.azarmajedi.com) in Farsi, English and French, for articles on culture, the monthly *Donya e Bazi* (www.dbazi.com) covers computer games.

Broadcasting

The national public broadcaster is the Islamic Republic of Iran Broadcaster (IRIB) (www.irib.ir).

Radio: The state-run IRIB (www.irib.ir) has eight national networks with provincial services and an external service that broadcasts in 27 languages.

Television: Around 80 per cent of the population watch TV, with the youth TV having the largest audience. The state-run IRIB (www.irib.ir) has four national networks with provincial services, plus an international channel and three satellite channels. IRIB also has a motion picture production company, Sima Film. In 2007, an alternative, state-run TV network, Press TV (www.presstv.com), based in Tehran, with 24-hour news was introduced.

National news agency: IRNA (Islamic Republic News Agency): www2.irna.ir

Other news agencies: IRIB: www.irib.ir
Iranian Students News Agency (ISNA): <http://isna.ir>

Press TV: www.presstv.com

Economy

Hydrocarbon exports are the mainstay of Iran's economy, accounting for around 25 per cent of GDP and 20 per cent of government revenue. The country has the world's second largest proven oil reserves at 151.2 billion barrels at the end of 2011, with production at over 4.3 million barrels per day (bpd). Iran's oil sector is, however, severely hampered by its inability to increase production due to insufficient investment as a result of sanctions imposed by the UN. GDP growth of 6.4 per cent in 2007 fell sharply in 2008 to 0.6 per cent before recovering in 2009 to register 4 per cent. As global trade picked up in 2010, growth increased to 5.9 per cent, before weakening to an estimated 2 per cent in 2011, since the imposition of further sanctions as international relations soured due to Iran's nuclear plans.

On-going international sanctions against a number of Iranian institutions have resulted in difficulties in trading and profitability of some financial entities and discouraged foreign investment. In 2009 the Norwegian state owned oil company, Statoil, announced it would no longer re-invest in Iran. Despite the widespread sanctions, foreign direct investment rose from US\$1.6 trillion in 2008 to US\$3.6 trillion in 2010.

The ability of the Central Bank of Iran (CBI) to influence monetary policy

decisions was curtailed in 2008 as the policy board, which oversaw monetary and credit supply, was integrated into the government's supreme council for economic management and planning. The government had planned to introduce a value added tax (VAT) in 2008, beginning at 3 per cent. However after days of political protests the president announced he would delay the VAT introduction until 2009/10. Months of opposition to VAT forced a delay, but it was finally introduced in March 2011, at 4 per cent. The economy is protected by high external tariffs, price controls and subsidies. The International Monetary Fund (IMF) advised, in 2008, that large state-owned banks and private smaller banks would have to be recapitalised and banking procedures aligned to World Trade Organisation (WTO) standards if Iran is to become integrated with the global banking sector. Anti-money laundering regulations were introduced in 2008, but the IMF still regards the law as deficient in some aspects.

Political and religious charities, *bonyads*, established at the founding of the Iranian Islamic state, which had appropriated assets of the former Shah and that were to be used to provide welfare payments to disadvantaged groups in society, have evolved into huge private monopolies, which have no governmental oversight of their operations but contribute to the ideological and cultural needs of the Islamic state. They dominate the economy, particularly the non-oil sector. They are allocated around two-thirds of the budget each year and own or control all the country's transport, oil, petrochemical and mining companies.

The service sector accounts for 46 per cent of GDP, with industry 17 per cent and agriculture 10 per cent. Iran has to find employment for around 750,000 new workers each year and unemployment consistently averages over 10 per cent. Among the noteworthy export products outside the petrochemical industry are motor vehicles and highly prized carpets. Pistachio nuts account for around 8 per cent of non-oil GDP with exports of over 200 tonnes per year.

The highest denomination bank note was raised to IR100,000 (US\$10) in 2010, due to inflation of 12.4 per cent (falling from a high of 25.4 per cent in 2008), with around 150 million bank notes being printed for distribution.

On 17 September 2012 the rial plunged by almost 8 per cent against the US dollar; the news was suppressed by the media. The street exchange rate had been Rh24,000 per US\$1 on 16 September, but within 24 hours the informal rate had risen to Rh26,400 per US\$1. An officially

maintained fixed rate of Rh12,260 per US\$1 is reserved for government business and a few privileged businesses; everyone else relies on the informal rate and imports have risen in cost accordingly. On 1 October the rial weakened further to Rh34,700 per dollar. By then the currency had lost 80 per cent of its value since the end of 2011.

External trade

Iran belongs to the Economic Co-operation Organisation (ECO), with seven central Asia countries with Turkey and Pakistan. The ECO has plans to create a free trade zone. Iran also has bilateral trade agreements with, among others, Venezuela, Cuba, Iraq and South Africa. Oil accounts for around 60 per cent of GDP and 80 per cent of export revenues. Shortages of foreign currency have produced a boom in counter (barter) trade, which obscures the extent of foreign trade.

Imports

Main imports include industrial raw materials (iron and steel) and intermediate goods, electrical and electronic equipment, foodstuffs and other consumer goods, technical services and military supplies.

Main sources: UAE (26.6 per cent of total in 2011), China (10.3 per cent), South Korea (6.6 per cent)

Exports

Crude oil, petroleum products; non-oil items, include iron and steel, organic chemicals, carpets, pistachio nuts, dates and caviar.

Iran and Pakistan signed a deal to build a US\$7.5 billion gas pipeline in 2008 and in May 2009 signed a trade agreement for an initial 30 million cubic metres per day of Iranian natural gas (increasing to 60 million cum) to be transferred to Pakistan.

Main destinations: China (4.1 per cent total in 2011), Iraq (3.6 per cent), UAE (3.3 per cent).

Agriculture

Since the 1979 revolution, land ownership has been in dispute. Meanwhile, people have moved from the countryside to the city. This has left a shortage of agricultural labour, despite high unemployment in the economy as a whole. On many farms, particularly those in the private sector near Tehran, immigrant Afghan workers have replaced Iranians. Since it was set up in the 1980s, the Bonyad-e Mostazafin (Foundation for the Oppressed and Deprived) has brought new facilities, especially water, electricity and roads, to thousands of rural villages. Government efforts to stimulate sluggish private investment in agriculture have made little headway. As half of Iran's farmers belong to 3,000 rural

co-operatives, grouped into 180 unions and benefiting from cheap credit made available by the state, they are reluctant to embrace private sector competition. The government wants to reduce the import bill for food and agricultural inputs. Iran imports large quantities of meat, rice, vegetables, oil, sugar and tea, as well as cattle fodder, fertilisers, machinery and tractors. It is encouraging the expansion of cotton and sugar cane plantations, livestock production and downstream processing industries for these products. There are few river systems in Iran, and most freshwater fishing is for subsistence purposes. There is commercial fishing on the Persian Gulf and the Caspian Sea. Iran produces around 444,000 tonnes of seafood per year. Main species are sturgeon, tuna, mackerel, shrimps, lobsters and crayfish. Iran produces around 90 per cent of the world's caviar. Fish farming is an increasingly important activity. There is some forestation in the north of the country, near the Caspian Sea, but limited commercial exploitation is generally for domestic purposes only.

Industry and manufacturing

The government's goal in the past has been to build up basic industries as a means of import substitution and to develop a broad industrial base to reduce reliance on oil. The government has also given priority to the development of downstream industries in the oil and gas sectors and to the development of mining and metals processing.

Tehran and Isfahan are the main industrial centres. The largest industrial conglomerate is the National Iranian Industries Organisation (NIIO), a state-owned group which is directly responsible for 90 companies in manufacturing, engineering and trading. The NIIO companies are in nine industrial groups: textiles and leather, chemicals, pharmaceuticals, food, electrical goods, construction and cellulose.

In December 2011, the development of a new, dual-fuel automotive engine was revealed, which utilises a 20/80 per cent diesel/natural gas mix. The manufacturing company, DESA, had began work on the engine in 2009; production is centred in the city of Amol (Mazandaran Province).

Tourism

Iran has a history reaching back into antiquity, from the ruins of Persepolis, founded by Darius The Great, including cuneiform inscriptions (the first form of writing in the world), to religious sites pre-dating Islam to the cultural and architectural artefacts from the height of the Persian Empire, most of which are included on Unesco's World Heritage List.

Iran was also an important staging post along the Silk Road.

Due to the political situation in Iran and its on-going differences with Western powers, many countries have advised their citizens not to travel to Iran, while travel companies are prohibited from dealing with Iran as part of UN economic sanctions. Most tourists are domestic visitors who use the large network of public transport to visit other parts of Iran.

Travel and tourism has contributed a steady 6–6.3 per cent to GDP since 2008, when the share had fallen to 5.7 per cent. The industry employs a consistent 5–5.7 per cent of total employment (1.25 million jobs in 2011) with around 2 per cent of direct employment (462,500 jobs in 2011).

Environment

Tehran is susceptible to severe air pollution as the population has greatly increased and there is a growing number of cars on the roads – many of them old. The city is wedged between mountains, meaning dirty air can get trapped when there is no wind or rain.

Mining

Iran is one of the world's 15 major mineral-rich countries and the mining sector employs directly over 107,000 workers. Production has a market value of over US\$4 billion. The government is trying to encourage private investment in mineral exploration and production.

The majority of the large-scale mines and major industries, including steelworks, copper, lead and zinc, are partially or totally state-owned. The government has sought to develop the country's abundant mineral resources as an alternative to oil- and gas-based industrial development. However, as in other sectors, expansion of mineral production has suffered from shortages of foreign currency for machinery and spare parts, power cuts, and the lack of mining experts. Consequently, Iran is still obliged to import many raw materials, which it could produce from its own resources, given appropriate investment and manpower skills.

The Iranian government has strongly encouraged foreign investment on 'buy-back' terms that enables foreign investors to recoup capital through receipt of the project's output. Substantial improvement is targeted for the non-ferrous metals sector including aluminium, copper and zinc. Iran has 60 lead and zinc mines, 30 coal mines, 20 copper mines and 40 deposits of chromite, fluorene and sulphur. It also has an important industrial mineral sector, and is the third largest producer of gypsum in the world.

Hydrocarbons

Proven oil reserves were 151.2 billion barrels 2011, which was around 10 per cent of the world's total petroleum reserves. Production in 2011 was 4.3 million barrels per day (bpd), an annual drop of -0.6 per cent. Although a new oil and gas field was discovered in 2009, in the Khorramabad block, in western Iran, with an estimated proven natural gas reserves to increased to 26.8 trillion cum (second only to Russia's gas reserves) the industry is still faced with maturing oil fields, limited investment and international sanctions imposed on the country.

Oil consumption is around 1.8 million bpd but mainly in light fuels, petrol and diesel. Iran increased its refining capacity to 1.82 million bpd in 2011, necessary to satisfy its domestic requirements.

Iran was a founding member of the Organisation of the Petroleum Exporting Countries (Opec) and is its second largest exporter (after Saudi Arabia). The Ministry of Petroleum has responsibility for oil and natural gas exploration and production through the state-owned National Iranian Oil Company (NIOC). International oil companies are involved in developing Iran's oil fields on a buyback basis, which entails the contractor funding all investment in return for an allocated production share from NIOC. The operation of the oil field is transferred to the NIOC once the contract is completed.

In the downstream sector, the government's strategy is to develop petrochemicals as part of a plan to add value to hydrocarbon exports; it is encouraging foreign investment into the industry.

The US Energy Information Administration (EIA) considers the Strait of Hormuz as 'the world's most important oil chokepoint' and any threat to the free movement of oil tankers would be considered a provocation. In 2011, 35 per cent of all seaborne traded oil (and 20 per cent of all traded oil) flowed through the strait.

Proven gas reserves were 33.1 trillion cubic metres in 2011, the world's second largest natural gas reserves (after Russia). Production was 151.8 billion cubic metres (cum), an increase of 3.9 per cent on the 2009 figure. Around 60 per cent of all reserves are undeveloped. Consumption was 153.3 billion cum in 2011, and shows a steady growth from 47 billion in 1997. The government is keen to expand export markets, particularly in Asia. The massive South Pars gas field, which is shared with Qatar, is being developed in 25 stages over 25 years.

In November 2012, Iran announced that it had begun to build a new 225km, US\$3 billion, natural gas pipeline to its border with Iraq to be completed in June

2013. Iran, Iraq and Syria had signed a US\$10 billion agreement in 2011 to build an extended, 1,500km gas pipeline through Iraq (close to Baghdad) to Damascus in Syria, with the ultimate sale of 110 million cum per day.

Production of coal is less than one million tonnes per year (tpy) but with consumption at approximately 1.6 million tpy imports complete the supply. In 2009, Iran's first mechanised underground coal mine at Tabas was begun. At full production, it is expected to produce around 1.5 million tonnes of coking coal for steel production each year.

Energy

Total installed generating capacity is 42.7GW; 98 per cent is produced by thermal power stations of which natural gas accounts for 53 per cent and oil 45 per cent; hydroelectricity makes up 2 per cent of the energy mix and coal 1 per cent. Iran's demand is growing rapidly at 7–9 per cent per annum and this will require a doubling of electricity generating capacity by 2012.

In 2009 test runs on Iran's first nuclear power plant near the Iranian port of Bushehr began. The 1,000kw plant is expected to be operational by August. Since 2001 when Russia agreed to help develop this reactor the US has raised strong objections over the development of nuclear power in Iran, claiming that the technology will be used for military purposes and the construction of nuclear warheads. The Iranian government insists the Bushehr reactors are for domestic energy consumption and says it has stood by the terms of the Nuclear Non-Proliferation Treaty, of which it is a signatory.

Financial markets

Stock exchange

Tehran Stock Exchange (TSE)

Commodity exchange

Kish International Commodity Exchange

Banking and insurance

Before the revolution, Iran's banking system was handicapped by the small number of banks, by heavy indebtedness (both to the central bank and to foreign creditors) and by the high levels of non-performing assets, a legacy of the virtual absence of regulatory controls under the Shah's regime. After the reorganisation in 1979, the sector's weakness was further aggravated by economic recession, the freezing of Iranian assets held abroad and the long war with Iraq.

The government recognises that the state-owned banking system is unable to provide sufficient credit for economic growth. Non-banking credit institutions (NBCIs) will legally do what *bazaaris* have been doing for two decades. Foreign

banks, a number of which have a representative office in Tehran, became more active as oil exports revived and financing became available for the reconstruction programme. Reconstruction requires imported goods and services. French banks are keen to regain the dominance they enjoyed in foreign trade financing in Iran before 1983, when France's supply of weapons to Iraq caused a breakdown in relations between France and Iran. Several French banks are on the approved list of the National Iranian Oil Company (NIOC). The most active are Banque Paribas, Société Générale and Banque Nationale de Paris.

As part of the 2000—04 economic development programme, the banking sector is being opened up to foreign participation and in 2002, Bank Markazi (the central bank) agreed to license the first fully foreign-owned banks since the 1979 revolution.

Bank Sepah was blacklisted by the US. The state-owned bank was accused of being the 'financial lynchpin' in Iran's efforts to procure material for its missile programme.

The Iran-Europe Commercial Bank (ICB) opened for business on the 27 May 2008, with the Iranian Bank of Industry and Mines (San'at va Ma'dan) as a major shareholder, and registered in Germany as a lender. The ICB was the first of six foreign banks allowed to operate in Iran (and not just on the island of Kish Free Trade Zone).

Central bank

Bank Markazi Jomhuri Islami Iran

Main financial centre

Tehran

Time

GMT plus 3.5 hours

Geography

Iran is a large and varied country. Much of it is desert wilderness, with mountainous regions along the western borders with Iraq and in the north with Turkey. Around 11 per cent of Iran is forested, notably in the northern regions of the Caspian Sea and Zagros mountains. By the early part of the twentieth century, the majority of the population were villagers living in fertile fringes of Iran's great central plateau, which is made up of vast sand and salt deserts. However, rapid urbanisation, especially the growth of the capital Tehran, has changed the distribution of the population and the activities in which it is engaged.

Water is scarce in most of Iran and its availability dictates the density of the population in settled areas. There are very few towns of any size in central and eastern Iran, although there are lush oases scattered across the sand and salt deserts.

There is a traditional system of subterranean water channels, cut from the water tables in the mountains for irrigation.

Hemisphere

Northern

Climate

The climate for most of the country is dry and hot in summer before abruptly changing to a bitterly cold winter. The best season for visiting is around the Persian New Year (Nowruz). Temperatures range from 51 degrees Celsius (C) in summer at the head of the Gulf to minus 14 degrees C in winter in the interior. The mean temperatures are 3 degrees C in January and 29 degrees C in July. The Gulf area becomes very hot and humid in summer.

Dress codes

Since the 1979 Islamic Revolution, ties are shunned by Iranians but suits are acceptable. Informal dress is acceptable for men (not shorts). Women should always dress discreetly in public and avoid make-up.

Iranian women are required to cover all their hair and to disguise the shape of their bodies by wearing long, loose fitting clothes. Men can be stopped for having inappropriate hairstyles. Punishment can take the form of imprisonment, lashes or fines.

Entry requirements

Passports

Required by all, valid for six months beyond period of visit.

Visa

Visas are required by all, except nationals of Turkey and some other countries subject to change, and are valid for 30 days. Business visas must have an invitation letter from a local, sponsoring company, to be submitted to the foreign ministry in Tehran for approval. When authorised, the host company can obtain a reference number which is forwarded to the applicant. After one week, the visitor should contact the consulate quoting the reference number, and confirm the approval. Once confirmed, the application and documents can be submitted to the consular section for further action.

Prohibited entry

Israeli citizens or anyone with Israeli stamps in their passport will be rejected.

Currency advice/regulations

Import and export of local currency is limited to IR200,000. No restrictions on the import of foreign currency, but over US\$1,000 must be declared on arrival; export is limited up to amount declared. Currency should be exchanged by authorised banks and exchange dealers and the receipts presented on departure.

Customs

The export of all antiques (over 50 years old) is prohibited, including gems, coins, handwritten manuscripts and other artifacts.

Prohibited imports

The import of all alcohol, firearms and ammunitions, video tapes and obscene publications.

Health (for visitors)

Mandatory precautions

A yellow fever certificate is required if travelling from an infected area. An AIDS certificate is required if staying more than three months.

Advisable precautions

Cholera is a high risk and precautions are required. Typhoid, dysentery and typhoid fever are common.

Hotels

The situation and status of hotels should be carefully checked. The use of the name of an international management chain does not imply a current connection with the chain, but may indicate only a previous link or the usual name by which the hotel is known. Most hotels are utilitarian. Evening entertainment is very rare.

Credit cards

Mastercard and visa are accepted in major locations.

Public holidays (national)

Fixed dates

11 Feb (Victory of Islamic Revolution, 1979), 20 Mar (Oil Nationalisation Day), 1 Apr (Islamic Republic Day), 2 Apr (Public Outing Day), 4 Jun (Death of Imam Khomeini), 5 Jun (Anniversary of Uprising against the Shah).

Variable dates

Nowruz (Persian New Year), Martyrdom of Imam Hassan Mojtaba, Martyrdom of Imam Reza, Martyrdom of Hazrat Fatemeh, Birthday of Imam Ali, Prophet Mohammad received his calling, Birthday of Imam Mahdi (12th Imam), Martyrdom of Imam Ali, Eid al Fitr, Martyrdom of Imam Sadegh, Eid e Ghorban (Eid al Ahda), Eid e Ghadir Khom, Tassoua, Ashura, Arbeen, Demise of Prophet Mohammad, Martyrdom of Imam Reza. Iran uses the solar Persian calendar, which differs from the Gregorian calendar: there are 31 days in each of the first six months of the Persian calendar, 30 days in each of the next five months and 29 days in the last month, except in leap year when it has 30 days. The year always begins on the spring equinox (around 21 March).

The Persian calendar dates from the Arab/Muslim invasion and the introduction of Islam into the country. The calendar (known as the *Hejrieh Shamsi*) is very precise; it was devised by the renowned

Persian mathematician, Omar Khayyam. The months are: Farvardin, Ordibehesht, Khordad, Tir, Mordad, Shahrivar, Mehr, Aban, Azar, Day, Bahman, Esfand. The Iranian calendar year was briefly changed in commemoration of the 2,500th anniversary of the Persian Empire in 1971. The year was changed from 1350 Hejrieh Shamsi to 2530 Melli (national). This calendar was unpopular and the nation reverted to the old calendar soon afterwards.
 Persian year 1392: 21 March 2013–20 March 2014, 1393: 21 March 2014–20 March 2015.

Working hours

Friday is the Muslim day of religious observance (weekly holiday).

Banking

Sat–Wed: 0800–1700; Thu: 0800–1200; closed on Friday.

Business

Sat–Wed: 0700/0800–1300, 1600–1900. Closed on Thursday and Friday.

Government

Sat–Wed: 0700/0800–1300, 1600–1900. Closed on Thursday and Friday.

Shops

Sat–Wed: 0800–2000; Thu: 0800–1200; most bakeries and some food shops stay open on Fridays while the rest close.

Electricity supply

230V AC, 50 cycles

Weights and measures

Metric system

Social customs/useful tips

Visitors for business engagements are expected to arrive on time for appointments. However, it is by no means uncommon to be kept waiting, or even for appointments to be cancelled without notice. Tehran is susceptible to severe air pollution as the population has greatly increased and there is a growing number of cars on the roads – many of them old. The city is wedged between mountains, meaning dirty air can get trapped when there is no wind or rain. The government can declare a public holiday when the pollution is particularly bad.

The Gulf is never called Arabian, but is usually identified as Persian.

Normal Muslim customs prevail within most areas of the country. Alcohol is forbidden, although tolerance is shown to non-Muslims who may drink it at home. Women must sit at the back of buses.

Men and women who are not married must not touch, therefore a business deal with a woman may not be sealed with a handshake.

Business negotiations can take a long time. A good lawyer and a detailed contract are essential.

Prostitution, casual sex and especially homosexual sex, are punishable with death or long prison sentences. Foreign visitors are not exempt from these laws.

Security

There is little violent street crime in Tehran, but visitors should take great care of their wallets and bags. Keep passports separate from other valuables.

Getting there

Air

National airline: IranAir

International airport/s: Mehrabad (THR), 5km west of Tehran, with duty-free shop, restaurant, bank, post office, shops; Shiraz (SYZ), 15km from city, with currency exchange, post office, shops.

Airport tax: Departure tax: IR70,000.

Surface

Road: There are roads from Iraq, Turkey, Armenia, Afghanistan and Pakistan, although these routes are not always passable.

Rail: There is a link with Turkey and Syria. A rail route runs nearly 300km from Mashhad into Turkmenistan, crossing the border at Sarakhs to join the Soviet-era Turksib railway at Tedzhen.

Water: Ferries run between Iran and United Arab Emirates, Manama (Bahrain) and Kuwait City.

Main port/s: The large ports on the Gulf include the country's main oil terminal at Kharg Island, the largest port Khorramshahr, Bandar Shahid Rajai, Bushehr, Bandar Khomeini and Chah Bahar. The main ports on the Caspian Sea are Bandar Anzali and Bandar Nowshahr.

Getting about

National transport

Air: IranAir and Aseman Airlines run frequent services between most cities and Tehran.

Road: Surfaced roads serve main centres; condition of secondary roads may vary.

Buses: There is an extensive, comfortable and cheap bus network that runs throughout the country. Scheduled long-distance coach services vary in their routes, but usually travel between all the main towns.

Rail: Rail services on the 5,500km network may vary, but there are usually various classes of service, with sleeping accommodation, air-conditioning and restaurant services available.

City transport

Taxis: Taxis are not metered and frequently shared. Those hired by telephone or by hotels are more expensive. Tipping is not expected.

Car hire

An international driving licence (along with two photographs) is required.

BUSINESS DIRECTORY

The addresses listed below are a selection only. While World of Information makes every endeavour to check these addresses, we cannot guarantee that changes have not been made, especially to telephone numbers and area codes. We would welcome any corrections.

Telephone area codes

The international direct dialling (IDD) code for Iran is +98, followed by area code and subscriber's number:

Abadan	631	Isfahan	311
Ahvaz	611	Kerman	342
Arak	262	Mashad	511
Babol	111	Shiraz	711
Bakhtaran	431	Tabriz	411
Hamadán	811	Tehran	21

Useful telephone numbers

Ambulance: 123

Fire: 125

General emergencies: 123

Police: 110

Traffic accidents: 197

Chambers of Commerce

Iran Chamber of Commerce, Industries & Mines, 254 Taleghani Avenue, Tehran 15814 (tel: 8884-6031; fax: 8882-5111; e-mail: info@iccm.org).

Irano-British Chamber of Commerce, Industries and Mines, 254 Taleghani Avenue, Tehran 15814 (tel: 8881-0525; fax: 8881-0526; e-mail: info@ibchamber.org).

Shiraz Chamber of Commerce, Industries and Mines, Zand Street, Shiraz 71356-53564 (tel: 2230-4415; fax: 2233-1220; e-mail: info@sccim.com).

Tehran Chamber of Commerce, Industries and Mines, 254 Taleghani Avenue, Tehran 15814 (tel: 8884-6031; fax: 882-5111; e-mail: info@tccim.com).

Banking

Bank Maskan, Ferdowsi Avenue, PO Box 11365-3499, Tehran (tel: 6670-9658; fax: 6670-9684; e-mail: info@bank-maskan.ir).

Bank Mellat, Head Office Bldg, 327 Taleghani Ave, 15817 Tehran (tel: 8296-2700).

Bank Melli Iran, Ferdowsi Avenue, PO Box 11365-171, Tehran (tel: 3231; fax: 3391-2813).

Bank Refah Kargaran, 40 Northern Shirazi Street, Mollasadra Avenue, Tehran (tel: 8804-2926; fax: 8804-2926).

Bank Saderat Iran, Sepehr Tower, 43 Somayeh Avenue, PO Box 15745-631,

Tehran (tel: 8829-9469; fax: 8883-9534).

Bank Sepah, Imam Khomeini Square, PO Box 11364-9569, Tehran (tel: 6674-3761; fax: 6674-3282; e-mail: info@banksepah.ir). (Bank Sepah was blacklisted by the US. The state-owned bank was accused of being the 'financial lynchpin' in Iran's efforts to procure material for its missile programme.)

Bank Tejarat, PO Box 11365-5416, 130 Taleghani Avenue, Nejatollahie, 15994 Tehran (tel: 8882-6690; fax: 8889-3641).

Central bank

Bank Markazi Jomhourī Islami Iran, PO Box 11365-8551, Tehran (tel: 29-951; fax: 673-5674; e-mail: g.secdept@cbi.ir).

Stock exchange

Tehran Stock Exchange (TSE), www.iranbourse.com

Commodity exchange

Kish International Commodity Exchange

Travel information

Irpedia, 6 Kachouee Avenue, Chamran Highway, Tehran (tel: 200-8189; e-mail: info@irpedia.com).

Pars Tourist Agency, Zand Street 71358, Shiraz (tel: 222-3163; fax: 224-0645; e-mail: info@key2persia.com).

Ministry of tourism

Ministry of Culture and Islamic Guidance, Baharestan Square, Kamal-al-Molk

Avenue, Avenue Kamalolmolk, Tehran (tel: 3851-2583; fax: 3311-7535).

National tourist organisation offices

Iran Tourist Co, 257 Motahari Avenue, Tehran 15868 (tel: 8873-6762/5; fax: 8873-6158; e-mail: info@irantouristco.com; internet site: <http://www.irantouristco.com>).

Ministries

Ministry of Commerce, 492 Valieasr Avenue, Tehran (tel: 8889-3553; fax: 8890-3943).

Ministry of Foreign Affairs, Imam Khomeini Square, Tehran (tel: 6673-9191; fax: 6674-3149; e-mail: matbuat@mfa.gov.ir).

Ministry of Information and Communication Technology (MICT), Sharlati St, PO Box 15875-4415, 16314 Tehran (tel: 8846 9000; fax: 8846 8131).

Ministry of Petroleum, Hafez Crossing, Taleghani Street, Tehran (tel: 6615-2606; fax: 6615-4977; e-mail: public-relations@mop.ir).

Ministry of Science, Research and Technology, Unit 2, Ostad Nejatollahi Street, Teheran (tel: 8890-2024; fax: 8890-2027; e-mail: msrt@mche.or.ir).

Other useful addresses

Export Promotion Centre of Iran, PO Box 11-48, Tajrish, Tehran (tel: 2205-1437; fax: 2205-1438; e-mail: epc-iran@epc-iran.com).

Iranian Interests Section (USA), 2209 Wisconsin Avenue, NW, Washington DC 20007 (tel: (+1-202)-965-4990; fax: (+1-202)-965-1073; e-mail: requests@daftar.org).

National Iranian Oil Company (NIOC), Taleghani Avenue, PO Box 1853, Tehran (tel: 6615-2275; fax: 6641-0916; e-mail: public-relation@nioc.com).

Statistical Centre of Iran, Dr Fatemi Ave, PO Box 14155-6133 Tehran (tel: 8896-5061; fax: 8896-5070; e-mail: sci@sci/org.ir).

Tehran Stock Exchange, 228 Hafez Avenue, Tehran (tel: 6670-4130; fax: 6670-2524; e-mail: info@tse.ir).

National news agency: IRNA (Islamic Republic News Agency): www2.irna.ir

Other news agencies: IRIB: www.irib.ir
Iranian Students News Agency (ISNA): <http://isna.ir>

Press TV: www.presstv.com

Internet sites

Customs Administration: <http://www.irica.gov.ir>

General information: <http://www.salamiran.org>

General political information: <http://www.netiran.com>

Islamic Republic News Agency: <http://www.irna.ir>