

# CHAPTER ELEVEN

## FOREIGN EXCHANGE AND TRADE POLICY

Extensive deregulations of the external sector of economy continued in 1382. Reform of foreign trade sector was the most important achievement in the review period. Adoption of policies based on reduction of trade barriers, easing export and import procedures, concerted efforts to fight smuggling of goods, and channeling foreign trade toward official and authorized channels brought about a significant growth in exports and imports.

Depositing excess oil revenues into the Oil Stabilization Fund (OSF) following the increase in oil prices in international markets and using the OSF to cover foreign exchange losses resulted from unification of exchange rates led to successful implementation of exchange rate unification and stability of the external sector of the economy.

### Balance of Payments

Developments in world crude oil market and gradual implementation of the new foreign trade regulations aimed at meeting the targets set in the 3<sup>rd</sup> Plan, affected the balance of payments in 1382. Increase in the price and volume of oil and gas exports led to 19.1 percent rise in the receipts of this sector. Exports basket of petroleum sector comprised \$ 22,485 million crude oil, \$ 3,474 million oil products, liquefied and natural gas, and \$ 1,396 million exports of oil and liquefied gas for repayment of buy-back contracts in the review year.

The relatively mild adjustment of foreign trade regulations and provision of various facilities such as enhancing exporters' options for management of their foreign exchange proceeds, extending facilities to foreign trade sector, abolition of surrender requirement for LCs, exemption of exports from taxes and levies, granting of export rewards and subsidies, and creation of stability in foreign exchange market resulted in relaxation of foreign trade and non-oil exports as compared with the previous year. The non-oil exports<sup>(1)</sup> surged by 25.9 percent from \$ 5,271 million in 1381 to \$ 6,636 million in 1382. Imports grew by 34.1 percent from \$ 22,036 million in 1381 to \$ 29,561 million in 1382. As a result, foreign trade balance with the inclusion of oil exports, enjoyed \$ 4,430 million surplus, which compared to similar figure of the previous year (\$ 6,201 million) showed 28.6 percent reduction.

Receipts and payments of services account in 1382 reached \$ 6,249 and 10,784 million, respectively<sup>(2)</sup>. On receipts side, freight and insurance and tourism (passenger and travel services) with \$ 1,704 and 1,266 million, respectively comprised 47.5 percent of foreign exchange receipts of the services account. On the payments side, freight and insurance, tourism (passenger and travel services) and investment expenses with \$ 756, 4,120 and 1,046 million accounted for 54.9 percent of

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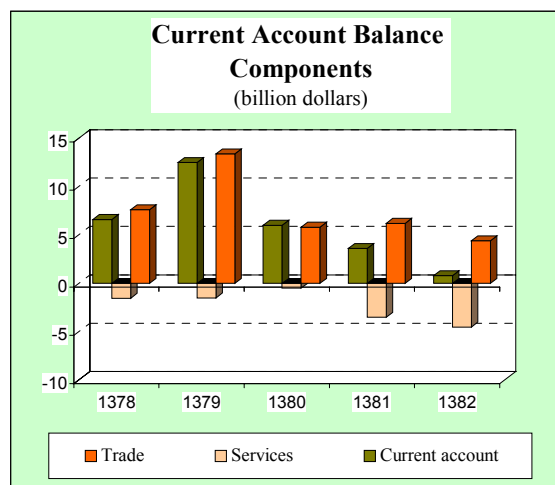
(1) It also includes non-customs exports such as export of electricity, buoys, scrap oil tankers and estimate of smuggled exports.

(2) During 1380-82, the data base coverage for receipts and payments of services account expanded significantly.

foreign exchange payments of this sector. Thus, the services account balance with 29.5 percent rise compared to the deficit of the previous year (\$ 3,503 million), ran a noticeable deficit of \$ 4,535 million. In this year, balance of payments transfers account enjoyed \$ 921 million surplus, due mainly to remittance of Iranians residing abroad.

As a result of the said developments, current account balance registered a surplus of \$ 816 million in 1382. This surplus was mainly utilized for repayment of foreign debts, increase in OSF balance and foreign assets of the CBI.

In the review year, the capital account enjoyed a surplus of \$ 4,476 million, in which long-term government account registered a net debt of \$ 1,548 million due to creation of new debts in 1382. The main items of these debts resulted from new buy-back contracts obligations, finance and indebtedness to the World Bank. In this year, \$ 1,396 million was paid on account of buy-back contracts, and \$ 2,811 million new obligations were created out of these contracts. In the review year, the “other” in long-term account increased to \$ 500 million, due to the rise in foreign direct investment. The \$ 2 million deficit in short-term government account was due to the deficit in barter accounts. The net foreign assets of banks increased by \$ 280 million and debts related to their LCs surged by \$ 2,714 million. In 1382, foreign reserves of the CBI and the change in international reserves (overall balance) registered \$ 3,710 million surplus.



### Foreign Exchange Obligations

Foreign exchange obligations rose by 27.6 percent from \$ 27.2 billion (including interest and contingent obligations) at the end of 1381 to \$ 34.7 billion at the end of 1382. Despite increase in foreign exchange obligations during 1382, the composition of contingent obligations and external debt did not change significantly, so that the share of contingent obligations increased from 61.6 percent at the end of 1381 to 62 percent at the end of 1382. In this period, external debt (actual obligations) reached \$ 12,100 million, against \$ 9,250 million in the previous year, registering 30.8 percent growth. The \$ 2,850 million increase in external debt during the course of 1382 resulted from increase in short-term and medium-term debts by \$ 2,714 and \$ 136 million, respectively. Among medium and long-term debts, finance liabilities with \$ 478 million increase and oil prefinance with \$ 586 million reduction showed highest changes in the review period. The share of short-term debt out of total external debt in terms of original maturity increased to 39.6 percent at the end of 1382 compared to 22.5 percent at the end of 1381.

### Foreign Trade Performance

Implementation of the 3<sup>rd</sup> Plan policies in the area of relaxation and deregulation of foreign trade together with exchange rate unification paved the way for the growing trend of foreign trade in 1382, so that the value of non-oil exports with 29.6 percent increase reached \$ 5,972 million. With respect to 15.8 percent rise in the weight of exports, the unit value of export increased to \$ 386 per ton which compared to similar figure of the previous year (\$ 345) grew by 11.9 percent.

In 1382, the value of imports (cif) grew by 19.4 percent to \$ 26,598 million. This was largely due to the appreciation of national currency (rials) and easing of imports regulations. In this period, weight of imported goods reached 30,106 thousand tons which compared to similar figure of 1381 (26,927 thousand tons) showed 11.8 percent growth. This caused the unit value of imported goods to increase by 6.9 percent from \$ 827 per ton in 1381 to \$ 884 in 1382.

**FOREIGN TRADE**  
(excluding oil, gas and electricity)

	1378	1379	1380	1381	1382	Percentage change		Share (percent)	
						1381	1382	1381	1382
<b>Value (million \$)</b>									
1. Imports	12,683	14,347	17,626	22,275	26,598	26.4	19.4	84.5	81.7
2. Imports(adjusted) (1)	11,972	13,187	16,228	21,761	26,598	34.1	22.2	82.5	81.7
3. Exports	3,362	3,763	4,224	4,608	5,972	9.1	29.6	17.5	18.3
Deficit (3-2)	-8,610	-9,424	-12,004	-17,153	-20,626	42.9	20.3	65.0	63.3
<b>Total</b>	<b>15,334</b>	<b>16,950</b>	<b>20,452</b>	<b>26,369</b>	<b>32,570</b>	<b>28.9</b>	<b>23.5</b>	<b>100.0</b>	<b>100.0</b>
<b>Weight (thousand tons)</b>									
1. Imports	21,549	25,980	27,464	26,927	30,106	-2.0	11.8	66.8	66.1
2. Exports	17,567	14,281	16,214	13,362	15,467	-17.6	15.8	33.2	33.9
<b>Total (1+2)</b>	<b>39,116</b>	<b>40,261</b>	<b>43,678</b>	<b>40,289</b>	<b>45,573</b>	<b>-7.8</b>	<b>13.1</b>	<b>100.0</b>	<b>100.0</b>

(1) In previous years, in calculating adjusted imports, order registration fee was deducted from the value of imports, however due to abolition of order registration fee in 1382, the total imports is equal to adjusted imports in this year.

## Imports

Composition of imports in 1382 shows that the highest growth was related to raw materials and intermediate goods (24.8 percent), so that the share of this group in the total imports increased to 45.8 percent in 1382, compared to 43.8 percent in 1381. However, despite the positive growth of imports of capital and consumer goods in 1382, the share of these goods out of total imports declined by 42.2 and 12 percent, respectively.

**COMPOSITION OF IMPORTS BY USE** (million dollars)

	1380	1381	1382	Percentage change		Share (percent)	
				1381	1382	1381	1382
Raw materials and intermediate goods	8,228	9,766	12,187	18.7	24.8	43.8	45.8
Capital goods	7,127	9,668	11,226	35.6	16.1	43.4	42.2
Consumer goods	2,270	2,842	3,185	25.2	12.1	12.8	12.0
<b>Total</b>	<b>17,626</b>	<b>22,275</b>	<b>26,598</b>	<b>26.4</b>	<b>19.4</b>	<b>100.0</b>	<b>100.0</b>
<b>Imports (adjusted)</b>	<b>16,228</b>	<b>21,761</b>	<b>26,598</b>	<b>34.1</b>	<b>22.2</b>		

Imports according to international classification of goods indicates that imports of machinery and transportation vehicles with 45.1 percent share in the total imports enjoyed the highest share in 1382 among imported goods.

Imports by countries shows that the five countries, i.e. United Arab Emirates, Germany, France, Italy and China with a share of 45.3 percent out of total imports were the most important exporters to Iran in 1382.

Imports by group of countries shows that imports from European Union with 19.1 percent growth increased from \$ 9,097 million in 1381 to \$ 10,837 million in 1382, so that these countries accounted for 40.7 percent of the total imports. The ESCAP member countries ranked the second with \$ 7,863 million (29.6 percent) of total imports. These two groups of countries accounted for 70.3 percent of the total imports in 1382.

## IMPORTS ACCORDING TO INTERNATIONAL CLASSIFICATION OF GOODS

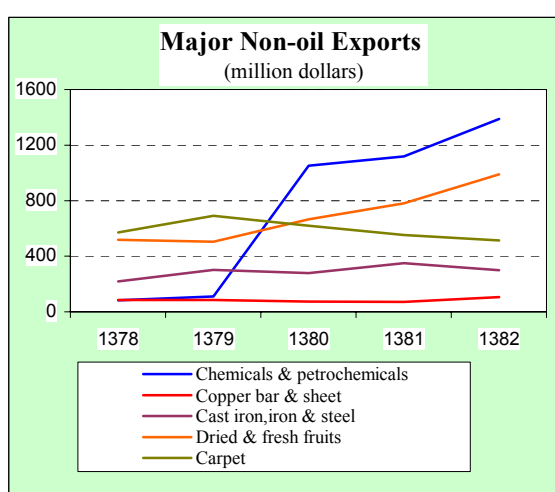
(million dollars)

	1380	1381	1382	Percentage change		Share (percent)	
				1381	1382	1381	1382
Machinery and transportation vehicles	7,565	10,221	12,005	35.1	17.5	45.9	45.1
Goods classified according to their composition	3,319	3,220	5,445	-3.0	69.1	14.5	20.5
Foodstuff and live animals	2,106	1,522	1,419	-27.7	-6.8	6.8	5.3
Chemical materials	2,384	2,580	3,391	8.2	31.4	11.6	12.7
Others	2,252	4,732	4,338	110.1	-8.3	21.2	16.3
<b>Total</b>	<b>17,626</b>	<b>22,275</b>	<b>26,598</b>	<b>26.4</b>	<b>19.4</b>	<b>100.0</b>	<b>100.0</b>
<b>Imports (Adjusted)</b>	<b>16,228</b>	<b>21,761</b>	<b>26,598</b>	<b>34.1</b>	<b>22.2</b>		

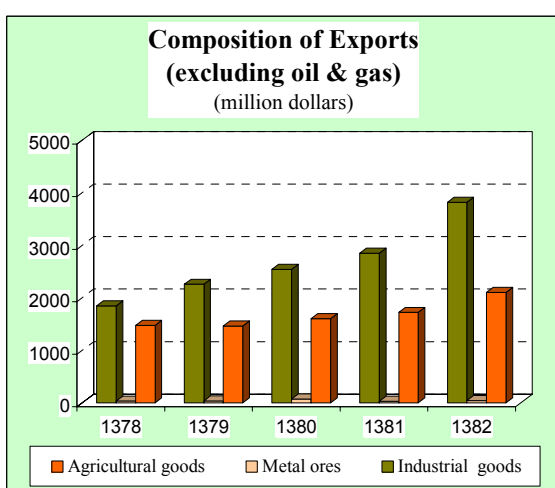
### Non-oil Exports

During 1382, a total of 15,467 thousand tons of non-oil goods valuing at \$ 5,972 million were exported, showing 15.8 and 29.6 percent rise in weight and value, respectively, compared with the previous year.

Classification of non-oil exports by use shows that exports of raw materials and intermediate goods with 24.5 percent growth reached \$ 2,563 million in 1382 against \$ 2,059 million in 1381. Exports of these goods constituted 42.9 percent of exports basket in this year, showing reduction as compared to the same figure of the previous year (44.7 percent). However, consumer goods with 52.1 percent share of non-oil export goods accounted for the highest share of exports as in the previous year.



The geographical distribution of non-oil exports indicates that United Arab Emirates, Iraq, Japan, Germany and Azerbaijan imported a total of \$ 2,520 million of non-oil goods from Iran which constituted 42.2 percent of our exports in this year. The geographical distribution of non-oil exports by group of countries shows that ESCAP member countries by importing 40.3 percent of non-oil exports were still the greatest export market. Despite the 16.6 percent increase of non-oil exports to European Union member countries, the share of these countries in the non-oil export market declined to 13.7 percent in 1382 from 15.2 percent in 1381. Meanwhile, the highest growth of export market belonged to Asian Clearing Union member countries (ACU) by 44.4 percent.



**COMPOSITION OF EXPORTS BY USE**  
(excluding oil, gas and electricity)

(million dollars)

	1380	1381	1382	Percentage change		Share (percent)	
				1381	1382	1381	1382
Raw materials and intermediate goods	1,794	2,059	2,563	14.8	24.5	44.7	42.9
Capital goods	155	178	298	15.3	67.1	3.9	5.0
Consumer goods	2,275	2,371	3,111	4.2	31.2	51.4	52.1
<b>Total</b>	<b>4,224</b>	<b>4,608</b>	<b>5,972</b>	<b>9.1</b>	<b>29.6</b>	<b>100.0</b>	<b>100.0</b>

### Transit Transactions

Iran due to her strategic position, i.e. access to free waters, neighboring to Central Asian countries and locating in transit path of west to east enjoys a high capacity for transit of goods. During 1382, a total of 8,069 thousand tons of goods transited into the country, which compared to the similar figure of the previous year (4,811 thousand tons) shows 67.7 percent growth. Classification of transit volume by modes of transportation shows that in 1382, about 2,977 thousand tons (37 percent) and 1,207 thousand tons (15 percent) of goods were transported through roads and railways, respectively and 3,885 thousand tons (48 percent) through swap arrangements. Thus, excluding swap transactions, about 4,184 thousand tons of goods transited into country constituting 730 thousand tons (17.4 percent) of oil and 3,454 thousand tons (82.6 percent) of non-oil goods.

### Bilateral Trade

Barter transactions in the framework of clearing, special account<sup>(1)</sup> and Asian Clearing Union transactions reached \$ 2,131 million, major share of which (95 percent) was in the form of Asian Clearing Union transactions.

(1) It includes accounts opened for the registration of special activities based upon contracts concluded between central banks for special transactions with specific credit ceiling.