

COUNTRY PROFILE: IRAN

March 2006

COUNTRY

Formal Name: Islamic Republic of Iran (Jomhuri-ye Eslami-ye Iran).

Short Form: Iran.

Term for Citizen(s): Iranian(s).

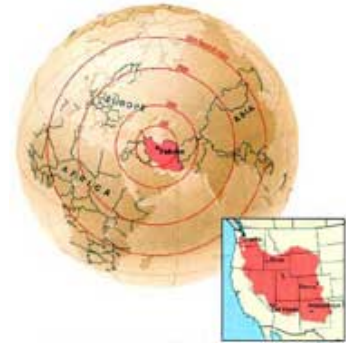
Capital: Tehran.

Other Major Cities (in order of population): Mashhad, Esfahan, Tabriz, Shiraz, Karaj, Ahvaz, Qom, and Kermanshah.

Independence: In the modern era, Iran always has existed as an independent country.

Public Holidays: The national holiday, Islamic Revolution Day, celebrates the victory of the Islamic Revolution on February 11, 1979. Other official holidays are Dawn (the return of Ayatollah Khomeini from 14 years of foreign exile on February 1, 1979), Noruz (Iranian New Year, March 21), Islamic Republic Day (April 1), Thirteenth Day of New Year (April 2), and several Islamic religious holidays that are reckoned in accordance with the lunar calendar and thus do not re-occur on the same dates each year.

Flag: The flag, adopted after the 1978–79 Revolution, features three horizontal bars, green (on top), white, and red, representing, respectively, Islam, peace, and courage. The bars are divided by stylized script. The white bar features a centered, red, abstract representation of the name Allah in the shape of a tulip.



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HISTORICAL BACKGROUND

Early History: The first Iranian state was the Achaemenian Empire, which was established by Cyrus the Great in 546 B.C. Alexander the Great conquered the empire in 330 B.C. The Greek rule was followed by the Parthians, who ruled from 247 B.C. until A.D. 224, and the Sassanians, who ruled from A.D. 224 until the Arabs conquered Iran in A.D. 651. The Arabs brought with them Islam, which eventually became the predominant religion. In the centuries that followed, Iran was ruled by a succession of Arab, Iranian, and Turkic dynasties. In the thirteenth century, the Mongol leader Genghis Khan invaded the disunified territory of Iran, and Mongol dynasties subsequently ruled Iran for nearly two centuries. In 1501 the Iranian Safavis created a strong centralized empire under Ismael I and also established Shia Islam as the official religion. In the

eighteenth century, Iran was weakened by civil wars, new dynasties came to rule, and a new regional rival, Russia, arose.

The Qajars and Pahlavis: In 1794 the Qajar family established a dynasty that would rule Iran until 1925. In the nineteenth century, Iran, under the Qajars, lost much of its territory in the Caucasus and Central Asia to Russia. During this period, influence in Iran was divided between Russia and Britain, Russia's chief Western rival in the region. Both powers interfered in local politics and forced Iran to make trade concessions. A popular desire for accountable government and resentment of intrusion by foreign interests led to the Constitutional Revolution of 1905–6 and the formation of a parliament. In 1909 the Anglo-Persian Oil Company was formed and assumed control of Iran's newly discovered oil deposits.

In 1921 army officer Reza Khan provided military support for a coup against the government; he was named minister of defense, then prime minister. Following parliament's deposition of the Qajar dynasty in 1925, he became shah of Iran, adopting the surname of Pahlavi. As Reza Shah Pahlavi, he restored order and sought to modernize the economy and society and to forge cultural links abroad. However, in World War II his failure to cooperate with the Allied powers caused Britain and the Soviet Union to invade Iran and force him to abdicate in favor of his son, Mohammed Reza Shah Pahlavi. In 1951 Mohammad Mossadeq, a deputy in the parliament, rode strong Iranian sentiment for nationalization of the oil industry to a position as prime minister. However, in 1953 Britain and the United States, which opposed the principle of oil nationalization at the time, forced the nationalist Mossadeq from power.

In the 1960s, Iran recovered from the economic disruption of the oil nationalization period, but the authoritarian rule of the shah provoked political discontent. It was during this period that Ayatollah Ruhollah Khomeini developed a following as an antigovernment leader and was sent into exile (1964), first to Turkey and subsequently to Iraq. Between 1965 and 1977, Iran enjoyed improved prosperity, expanded regional influence, and relative stability. However, there was no liberalization of the political system, and repression coupled with resentment of an increased Western presence fueled a series of antigovernment protests in 1977 and early 1978 that developed into a nationwide revolutionary movement. From his exile base in Iraq, Khomeini emerged as the leader of an increasingly strong opposition movement, which organized nationwide strikes and effectively paralyzed the economy by late 1978. The military, experiencing mass desertions and the refusal of junior officers to act against strikers and demonstrations, was unable to protect the regime, and the shah decided to leave the country, ostensibly for medical treatment. After the shah's departure, his government was unable to stem what had become a revolutionary tide. Khomeini returned from exile on February 1, 1979, refused to recognize the authority of the shah's prime minister, and appointed a provisional government. When the military announced its neutrality in the power struggle between the two governments, the monarchy effectively ended.

The Islamic Republic of Iran: Following a national plebiscite, an Islamic republic was proclaimed officially on April 1, 1979. The provisional government was composed of a coalition of nationalist and religious leaders who had moderate views with respect to social and economic changes. They were opposed by young militants who advocated radical changes in both domestic and foreign policies. In particular, the latter group wanted to end all ties with the United States.

In November 1979, students affiliated with the latter group occupied the U.S. Embassy in Tehran and held 53 U.S. diplomats hostage for the next 14 months. This incident led to the collapse of the provisional government and a decisive break in U.S.-Iranian relations. Between 1980 and 1988, serious differences between the moderate and militant factions of the revolutionary government were held in check by the need to maintain internal unity during an indecisive war with Iraq that resulted in more than 200,000 Iranian deaths.

In 1989 the death of Khomeini removed the one figure with authority to arbitrate between the two mutually antagonistic political factions of the postrevolutionary elite. Neither of the two factions constituted a homogeneous political group; rather, each comprised multiple ideological tendencies. In general, those whom the Western press labeled “reformers” advocated a liberal interpretation of the constitution and Islamic law but disagreed among themselves with respect to economic, political, and social policies. By contrast, those who came to be known as “conservatives” advocated the strict and literal interpretation of the constitution and Islamic law.

During the presidency of Ali Akbar Hashemi Rafsanjani (1989–97), reformers controlled a majority of seats in parliament until 1992 and supported Rafsanjani’s policies for economic reform and the normalization of relations with neighboring countries. The conservatives won a majority of seats in both the 1992 and 1996 parliamentary elections and subsequently used their position in the legislature to weaken or stop outright many reforms proposed by the Rafsanjani government. The administrations of Rafsanjani’s successor, Mohammad Khatami (in office 1997–2005), encountered the same resistance. Reformers won a majority of seats in the 2000 parliamentary elections and then enacted several notable pieces of reform legislation in the ensuing term. Having lost control of the parliament, conservatives tried to use their influence in the judiciary and bureaucracy to impede reforms they perceived as threatening their positions. Conservatives regained control of the parliament in the February 2004 elections.

Although Iran’s foreign relations had improved under Khatami, in the early 2000s earlier progress was eroded by Iran’s ostensible support of terrorist groups in the Middle East and conflict with the European Union and the United States over Iran’s nuclear program. Iran’s international position was jeopardized by the construction of nuclear processing plants to provide fuel for its nuclear energy generating facility at Bushehr, which was being built with significant technical input from Russia. In mid-2005 the surprise election of conservative Mahmoud Ahmadinejad as president led Iran to adopt more confrontational international positions, especially vis-à-vis limitations on its nuclear fuel processing program and its attitude toward Israel. Within Iran, moderate and conservative factions concurred in defending the nuclear program against international interference.

GEOGRAPHY

Location: Iran is located in the Middle East, between Turkey and Iraq on the west and Afghanistan and Pakistan on the east; it borders the Persian Gulf and Gulf of Oman in the south and Armenia, Azerbaijan, the Caspian Sea, and Turkmenistan in the north.



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Size: Iran's total area is 1.65 million square kilometers, of which 1.64 million square kilometers—an area slightly larger than Alaska—is land mass.

Land Boundaries: Iran is bounded by Afghanistan (936 kilometers), Armenia (35 kilometers), Azerbaijan proper (432 kilometers), Azerbaijan's Nakhichevan enclave (179 kilometers), Iraq (1,458 kilometers), Pakistan (909 kilometers), Turkey (499 kilometers), and Turkmenistan (992 kilometers).

Disputed Territory: Iran and the United Arab Emirates (UAE) dispute sovereignty over three islands in the Persian Gulf that are occupied by Iran.

Length of Coastline: Iran's coastline includes 2,440 kilometers on the Persian Gulf and Gulf of Oman and 740 kilometers on the Caspian Sea.

Maritime Claims: Iran's territorial sea extends 12 nautical miles and its contiguous zone, 24 nautical miles. The exclusive economic zone claimed by Iran is determined by bilateral treaties or median lines in the Persian Gulf. The maritime border with Iraq along the Shatt al Arab waterway was established by treaty in 1975 as the median line of the deep-water channel, but the final status of the treaty awaits the conclusion of a peace treaty to replace the 1988 cease-fire agreement between Iran and Iraq. In opposition to at least two of the other four littoral states, Iran advocates a division of the bed of the Caspian Sea that would give Iran control of an area about 20 percent greater than the area it would control under a division based on the actual length of each littoral state's coastline.

Topography: Iran has rugged mountain chains surrounding several basins collectively known as the Central Plateau. These basins vary in elevation from 900 to 1,525 meters. East of the Central Plateau are two large desert regions, a salt desert in the north and a rock and sand desert in the south. There are lowland areas along the Caspian coast, in Khuzestan Province at the head of the Persian Gulf, and at several dispersed locations along the Persian Gulf and Gulf of Oman coasts.

Principal Rivers: The main rivers are the Karun, which is 830 kilometers long; the Safid Rud, which is 1,000 kilometers long; the Kharkeh, which is 700 kilometers long; and the Zayandeh Rud, which is 400 kilometers long.

Climate: Iran's climate is mostly arid and semi-arid, with a humid rain-forest zone along the Caspian coast. Temperatures average between 10° and 25° C in the winter and between 19° and 38° C in the summer.

Natural Resources: About 40 percent of Iran's territory is considered cultivable if irrigation is available, but because of the lack of water, less than 30 percent of that territory is cultivated. Iran has enormous reserves of oil and natural gas. Oil reserves are estimated at about 130 billion barrels (third in the world behind Saudi Arabia and Iraq), and natural gas reserves are estimated at 20 trillion cubic meters (second in the world to Russia). Mineral resources currently exploited include bauxite, chromium, coal, copper, gold, iron ore, red oxide, salt, strontium, sulfur, turquoise, and uranium.

Land Use: Of Iran's land surface, 27 percent is classified as meadows and pastures, 11 percent forest and woodland, and 8 percent arable land. The remaining 54 percent is desert or mountains.

Environmental Factors: Especially in urban areas, vehicle emissions, refinery operations, and industrial effluents contribute to poor air quality. Between 1985 and 2005, huge increases in energy consumption tripled carbon emissions. Most cars use leaded gas and lack emissions control equipment. Tehran is rated as one of the world's most polluted cities. The abundance of fossil fuels has discouraged use of alternative fuels. Much of Iran's territory suffers from desertification and/or deforestation. Industrial and urban wastewater runoff has contaminated rivers and coastal waters and threatened drinking water supplies. Wetlands and bodies of freshwater increasingly are being destroyed as industry and agriculture expand, and oil and chemical spills have harmed aquatic life in the Persian Gulf and the Caspian Sea. Iran contends that the international rush to develop oil and gas reserves in the Caspian Sea presents that region with a new set of environmental threats. Although a Department of Environment has existed since 1971, Iran has not developed a policy of sustainable development because short-term economic goals, particularly support of the oil and gas industries, have taken precedence.

Time Zone: Iran lies in one time zone, which is three and one-half hours ahead of Greenwich Mean Time.

SOCIETY

Population: In mid-2005 Iran's population was estimated at 68 million, approximately one-third of which lived in rural settlements and two-thirds in urban population centers. Population density was 41.8 people per square kilometer. Urbanization has been steady; in 1976 only 47 percent of the population lived in urban areas. In 2005 the annual population growth rate was 0.86 percent. Net migration in 2005 was -2.64 persons per 1,000 population. In 2004 Iran hosted an estimated 2.1 million refugees, 1.85 million of whom were from Afghanistan and 220,000 from Iraq. Under repatriation agreements, an estimated 1 million Afghan and 107,000 Iraqi refugees had returned home by 2005.

Demography: According to a 2005 estimate, 27.1 percent of Iran's population was younger than 15, and only 4.9 percent was older than 64; the population was 51 percent male. In 2005 the overall life expectancy was 70.0 years: 68.6 years for men, 71.4 years for women. The birthrate was 16.8 per 1,000 population; the death rate, 5.6 per 1,000 population; and the infant mortality rate, 41.6 per 1,000 live births. Between 1979 and 2005, the fertility rate decreased from about 7 to 1.8 children born per woman.

Ethnic Groups and Languages: The main ethnic groups in Iran are Persian (60 percent), Azeri (20 percent), Kurdish (7 percent), Lur (3 percent), Arab (2 percent), Baloch (2 percent), Turkmen (2 percent), Turkish tribal groups, such as the Qashqai (2 percent), and non-Persian, non-Turkic groups such as Armenians, Assyrians, and Georgians (2 percent). Persian, the official language, is spoken as a mother tongue by 60 percent of the population and as a second language by an additional 15 percent. Other languages in use are Azeri Turkish and Turkic dialects (24 percent), Kurdish (7 percent), Luri (3 percent), Arabic (2 percent), and Balochi (2 percent). Azeri and

Kurdish autonomy movements arose in the 1940s, and a Kurdish autonomy movement was active in the period 1979–83.

Religion: The constitution declares Shia Islam as the official religion of Iran. At least 90 percent of Iranians are Shia Muslims, up to 7 percent are Sunni Muslims, and 2 percent adhere to various other Islamic sects such as the Ahl-e Haqq. Other religions are Christianity (mainly Armenians and Assyrians, about 300,000 followers), Bahaism (250,000 to 300,000), Zoroastrianism (30,000 to 60,000), and Judaism (20,000 to 30,000). The constitution recognizes Christianity, Judaism, and Zoroastrianism as legitimate minority religions. Bahaism is not recognized as a legitimate minority religion, and since 1979 Baha'is have experienced periodic bouts of persecution. Individuals of all religions are required to observe Islamic codes on dress and gender segregation in public. Individuals of minority religions are prohibited from serving in senior administrative positions in many government ministries. In the early 2000s, Christians have been emigrating from Iran at the rate of 15,000 to 20,000 per year.

Education and Literacy: In 2003 the literacy rate of the population was 79.4 percent. The rate for males was 85.6 percent and the rate for females, 73 percent. Under the constitution, primary education (between ages six and 10) is compulsory. The government reports that 95 percent of children receive primary and secondary education. Primary, secondary, and higher education is free, although private schools and universities charge tuition. The majority of Iran's 113,000 pre-collegiate public schools are single-sex beyond kindergarten. Universities are coeducational. Minority religions except Bahaism maintain private schools, but supervisors must be Muslim, and one hour per week of Islam is a required subject, as in public schools. Iran has 107 public universities, where entry is very competitive; more than 550,000 students, 57 percent of them female, were enrolled in 2004. The largest public university is the University of Tehran, which has enrolled about 32,000 graduate and undergraduate students annually since 1998. All of the other major cities in Iran also have public universities. In 2004 the largest private university, the Islamic Free University, had 110 branches all over Iran and a total enrollment of 700,000. Some 33 other private universities enrolled a total of 23,000 students.

Health: The overall quality of public health care improved dramatically after the 1978–79 Revolution because public health has been a top priority of the government. The constitution entitles Iranians to basic health care, and most receive subsidized prescription drugs and vaccination programs. An extensive network of public clinics offers basic care at low cost, and general and specialty hospitals operated by the Ministry of Health provide higher levels of care. In most large cities, well-to-do persons use private clinics and hospitals that charge high fees. Specialized medical facilities are concentrated in urban areas, but rural communities have relatively good access to primary care physicians at clinics in villages, where the government-sponsored primary health care system has raised the level of health education and prenatal care since the late 1990s. Immunization of children is accessible to most of the urban and rural population. In the early 2000s, estimates of the number of physicians varied from 8.5 to 11 per 10,000 population. About 46 percent of physicians were women. There were about seven nurses and 11 hospital beds per 10,000 population. Some 650 hospitals were in operation. In the early 2000s, about 65 percent of the population was covered by the voluntary national health insurance system. More expensive private health insurance plans also were available.

As Iran's health system has improved, the role of communicable diseases as causes of death has diminished relative to that of noncommunicable diseases. Therefore, in the early 2000s the main natural causes of death have been cardiovascular disease and cancer. Opium and other drug addictions constitute a major and growing health problem; in 2005 estimates of the number of drug addicts ranged from 2 to 4 million. Increased drug use has driven up the incidence of human immunodeficiency virus (HIV). In 2005 two-thirds of the official total of 9,800 HIV cases were attributed to drug use. Iran has established a national HIV treatment system, including 150 testing sites and a free needle exchange program. Earthquakes regularly take several thousand lives in Iran. The Bam earthquake of December 2003 killed nearly 28,000 people.

Welfare: Iran's Ministry of Social Affairs supervises public programs for pensions, disability benefits, and income for minor children of deceased workers. Welfare programs for the needy are managed by more than 30 individual public agencies and semi-state organizations, as well as by several private non-governmental organizations. In 2003 the government began to consolidate its welfare organizations in an effort to eliminate redundancy and inefficiency. The largest welfare organization is the Bonyad-e Mostazafin (Foundation of the Underprivileged), a semi-public foundation originally founded in 1979 with the assets of the last shah's family; it operates a wide variety of charitable activities. In late 2005, President Ahmadinejad formed the Reza Love Fund to provide financial assistance to young couples seeking financial stability. Initial capitalization was US\$1.3 billion, raised from state oil revenue and donations. In the late 1990s, the extension of pensions to farming household heads over 60 effectively doubled the number of Iranians eligible for government pensions to more than 60 percent of the workforce. Self-employed persons in urban areas are the major group not covered. Civil servants, the regular military, law enforcement agencies, and the Islamic Revolutionary Guard Corps, Iran's second major military organization, have their own pension systems. In 2003 the minimum standard pension was 50 percent of the worker's earnings but not less than the amount of the minimum wage. Iran spent 22.5 percent of its 2003 national budget on social welfare programs. More than 50 percent of that amount covered pensions. Considering all social welfare programs available, urban residents benefit more than the rural population. Government workers are eligible for sickness, maternity, and work injury benefits, but few private employers provide these benefits. The Imam Khomeini Social Assistance Committee and other semi-public foundations supply such benefits to some workers.

ECONOMY

Overview: Iran's economy is dominated by the oil industry, which is part of the state sector. The state also owns and administers several large industries. The private sector includes automobile, textile, metal manufacturing, and food-processing factories as well as thousands of small-scale enterprises such as workshops and farms. Smuggling and other illegal economic activities occupy an increasingly large part of the overall economy. The economic reform programs of presidents Ali Akbar Hashemi Rafsanjani (in office 1989–97) and Mohammad Khatami (in office 1997–2005) aimed at making Iranian industry more competitive internationally. Measures included selling off government enterprises, reducing subsidies, creating an equitable income tax system, and cutting high tariffs that protect local manufacturing from foreign imports. Private business interests strongly opposed many reforms and were able to block their enactment. A

dominant share of Iran's non-petroleum industrial output is controlled by semi-private charitable organizations called *bonyads*, which exert considerable influence on economic policy through their close links to powerful politicians. Traditional import-export merchants, collectively known as the *bazaar*, also occupy an influential place in economic policy making. Because 80 percent of export earnings come from oil and gas and accrue to the government as revenue, world prices for those commodities have a major impact on Iran's budget. Government economic planning is done in five-year development plans, the fourth of which began in 2005. Although economic diversification has been a goal in the early 2000s, little progress has been made in that direction.

Gross Domestic Product (GDP): In 2005 Iran's GDP was estimated at US\$182.5 billion, an increase of 5.6 percent over the 2004 figure, yielding about US\$2,680 per capita. In 2004 GDP increased by 4.8 percent. For 2006, GDP growth was projected to be 4.8 percent. In 2005 services contributed 45 percent, industry 43 percent, and agriculture 12 percent of GDP.

Government Budget: Budget deficits, largely caused by extensive state subsidies of commodities such as food and fuel, have been a major problem. Iran's 2005 budget included a deficit of US\$11.6 billion based on revenues of US\$48.8 billion and expenditures of US\$60.4 billion, including US\$7.6 billion of capital expenditures. Backed by increased oil prices, announced outlays in the 2006 budget were about 50 percent more than those in 2005.

Inflation: The government's anti-inflationary policies have reduced inflation from the 1999 rate of 30 percent. The rate for 2003 was 17.6 percent. The rates for 2004 and 2005 were 16.8 and 16.0 percent, respectively.

Agriculture: Iran's diversity of terrain and climate enable cultivation of a variety of crops, but in 1998–2000 severe droughts cut agricultural production. Output has recovered slowly since, although many villages in eastern Iran have been abandoned, and consequently the area under cultivation has decreased since 2000. In the early 2000s, about 20 percent of Iran's arable land remained uncultivated. Iran is a net importer of grains, especially rice and wheat, and a net exporter of fruits, nuts, and various specialty crops. Iranians grow a variety of crops: wheat; rice; barley; pistachio nuts, almonds, hazelnuts, walnuts, and other nuts; oilseeds; legumes; dates; citrus and other tree fruits; grapes; melons; vegetables; saffron; sugar beets; tea; cotton; and tobacco. About one-third of agricultural income comes from livestock; with the exception of sheep and goats, which graze on open rangeland, most livestock is raised in fenced pastures.

Forestry: Iran has only about 1 percent forest cover. The major commercially useful forests are located in the Alborz Mountains in the north, especially on the southern slopes above the Caspian Sea coast. Smaller forests, principally of oak and other deciduous trees, are scattered throughout the western and central Zagros Mountains. Iran is a net importer of timber products. Illegal clear-cutting and clearing for agriculture have depleted forests in the Alborz, and government replanting programs have been hindered by illegal harvesting of trees. In 2003 the timber industry produced about 13 million cubic meters of wood products, of which about 37 percent was pulpwood and 24 percent logs.

Fishing: Iran has a long tradition of fishing in the Caspian Sea, in the Persian Gulf, and on inland rivers. The government company, Shilat, establishes fishing quotas and buys fish for

processing. Most of the actual fishing is undertaken by small-scale, private fishermen. The most economically important product of the fishing industry is caviar from Caspian Sea sturgeon. In the 1990s, the sturgeon catch declined as a result of over-fishing and poaching. Iran has an aggressive fish nurseries program aimed at reversing the decline in Caspian fish stocks. Other products of the fishing industry are tuna, the sardine-like kilka, trout, and shrimp. In 2002 some 325,000 tons of fish, mainly tuna and shad, were caught, and 77,000 tons were raised by aquaculture.

Mining and Minerals: In 2001 Iran's already sizable oil reserves were bolstered by the discovery of a large new offshore field near Abadan at the head of the Persian Gulf. However, oil recovery percentages in existing fields lagged in the early 2000s. The largest natural gas field is South Pars, discovered in 1988 in southern Iran and under intensive development in the early 2000s. The centers of copper extraction are Kerman and Bafq. Iran has an estimated 5 percent of the world total of copper, and production of that metal has increased rapidly since 1993. Some 128,500 tons were extracted in 2000–2001, and plans called for substantial expansion in the early 2000s. Other major metal ores are aluminum, uranium, and zinc.

Industry and Manufacturing: Iran's manufacturing output was reduced during the 1978–79 Revolution, but the 1980–88 war with Iraq had the indirect consequence of increasing industrial production. In the 1990s, growth was hindered by low private investment levels, although government expenditures based on revenues from high world oil prices stimulated public investment and also directly stimulated consumer demand and the petrochemicals industry. That industry, dominated by the state-owned National Petrochemicals Company, has grown rapidly, with output in 2002 worth US\$1.4 billion. The Fourth Economic Development Plan (2005–9) calls for a fourfold expansion of petrochemical output, to 56 million tons per year. The industry has received substantial foreign investment. The steel industry, centered in Ahvaz, Esfahan, and Mobarakeh, also has grown rapidly since 1990. The output goal for 2004 was 8.5 million tons. Automobile manufacture has benefited from licensing agreements with European and Asian manufacturers. In 2002 the largest plant, Iran Khodro, built about 260,000 units, and several smaller facilities produced a total of about 240,000 vehicles. Processing of agricultural products also is an important industry and is dominated by domestic private firms. Among the major subsectors are grain processing and fruit and vegetable canning. The textile industry, based on domestic cotton and wool, employed about 400,000 people in 2000. The construction industry has grown rapidly since 2000 because of government investment in infrastructure projects and increased demand for private housing.

Energy: Iran possesses abundant fuels from which to generate energy, ranking second in the world in natural gas reserves and third in oil reserves. Nevertheless, in 2005 Iran spent US\$4 billion dollars on fuel imports, mainly because of inefficient domestic use. Oil industry output averaged 4 million barrels per day in 2005, compared with the peak output of 6 million barrels per day reached in 1974. In the early 2000s, industry infrastructure was increasingly inefficient because of technological lags. Few exploratory wells were drilled in 2005.

In 2005 a large share of Iran's natural gas reserves were believed to remain untapped, although gas already accounted for nearly one-half of energy consumption. With massive government

investments planned, the share of gas in energy production was expected to rise quickly in ensuing years.

By 2004 the addition of new hydroelectric stations and the streamlining of conventional coal- and oil-fired stations increased installed capacity to 33,000 megawatts. Of that amount, about 75 percent was based on natural gas, 18 percent on oil, and 7 percent on hydroelectric power. In 2004 Iran opened its first wind-powered and geothermal plants, and the first solar thermal plant was to come online in 2009. Demographic trends and intensified industrialization have caused electric power demand to grow by 8 percent per year. The government's goal of 53,000 megawatts of installed capacity by 2010 is to be reached by bringing on line new gas-fired plants financed by independent power producers, including those with foreign investment backing, and by adding hydroelectric and nuclear power generating capacity. Iran's first nuclear power plant at Bushehr, scheduled to come on line in 2002 but not completed as of early 2006, has received international criticism because of concerns that its enriched uranium and spent fuel can be diverted for the production of nuclear weapons. In 2005 Iran's electricity imports were greater than its exports by about 500 million kilowatt-hours; exchanges were made with all neighboring countries except Iraq.

Services: In the financial sector, Iran's banking system was nationalized in 1979. Private banks were not authorized to re-open until the early 2000s, when some small private credit institutions appeared. All state and private banks are strictly overseen by the Central Bank of Iran, also known as Bank Markazi. Accounts of the state-owned commercial banks are dominated by loans to state and *bonyad* enterprises and to large-scale private firms. Wealthy Iranians use foreign banks, especially for savings accounts. The Fourth Five-Year Economic Development Plan (2005–9) calls for the introduction of foreign banks, but such a move has met with substantial resistance.

The trading of shares on the Tehran Stock Exchange was limited between 1979 and 1986, but activity has increased sharply since 2002. The tourism industry was disrupted by the 1978–79 Revolution and the Iran-Iraq War (1980–88) but began to revive in the 1990s. The majority of the 300,000 tourist visas granted in 2003 were obtained by Asian Muslims, who presumably intended to visit important pilgrimage sites in Mashhad and Qom. Several organized tours from Germany, France, and other European countries come to Iran annually to visit archaeological sites and monuments. The government reported that in 2004 some 4 million tourists spent nearly US\$2 billion in Iran, an increase of 10 percent over 2003. However, in the early 2000s the industry still faced serious limitations in infrastructure, communications, regulatory norms, and personnel training.

Labor: In 2005 an estimated 14 percent of Iran's labor force of 23.7 million were unemployed; the unemployment rate was much higher among younger workers, and underemployment was common. The Fourth Economic Development Plan, which began in 2005, aimed to create 700,000 new jobs per year, but unemployment remained unchanged during the first year of that plan. Skilled labor has been in short supply. In 2001 some 45 percent of the labor force was employed in services, 30 percent in agriculture, and 20 percent in industry. In 2005 the minimum wage, determined by the Supreme Labor Council, was about US\$120 per month. That level provoked substantial labor unrest in 2005.

Foreign Economic Relations: Since 1996 the United States has maintained the Iran-Libya Sanctions Act, which is a full trade and financial transactions embargo against Iran, although the embargo was relaxed in 2000 to permit U.S. companies to import Iranian carpets, caviar, and pistachio nuts. Other countries, including members of the European Union (EU), have continued trade with Iran, but Western countries have blocked the export to Iran of dual-use items, such as computer equipment, with potential military applications. In the early 2000s, China emerged as an important trade partner both in imports and exports. Japan retained the position that it assumed in the mid-1990s as Iran's best export customer. In order of volume, the main purchasers of Iran's exports in 2004 were Japan, China, Italy, South Africa, and South Korea. In order of volume, the main source countries for Iran's imports in 2004 were Germany, France, Italy, China, and the United Arab Emirates. The main commodities imported are basic manufactures, chemicals, food (chiefly rice and wheat), and machinery and transport equipment. The main commodities exported are petroleum, carpets, chemical products, fruit and nuts, iron and steel, natural gas, and copper.

Trade Balance: In 2005 Iran's estimated income from exports was US\$55.4 billion, 85 percent of which came from petroleum and natural gas. The estimated payment for imports in 2005 was US\$42.5 billion, yielding a trade surplus of US\$12.9 billion. Between 2003 and 2005, the value of Iran's exports, chiefly oil, increased faster than the value of its imports, expanding the 2003 trade surplus of US\$4.4 billion.

Balance of Payments: In 2005 Iran's current account balance, determined mainly by its merchandise trade surplus and its smaller services trade deficit, was US\$8.2 billion. Its foreign exchange reserves, determined primarily by oil prices, were estimated at US\$40.0 billion in 2005. Records on portfolio investment are not available, and foreign direct investment has remained relatively small. In 2004 the overall balance of payments was US\$3.5 billion.

External Debt: In 1991 Iran's external debt was estimated at US\$23 billion. During the next decade, Iran paid the debt down, reaching US\$7.8 billion in 2001. Subsequently, the debt has risen as international borrowing has increased. The 2005 estimate was US\$16.9 billion, compared with US\$10.2 billion in 2003.

Foreign Investment: Foreign investment has been hindered by unfavorable or complex operating requirements in Iran and by international sanctions, although in the early 2000s the Iranian government liberalized investment regulations. In the early 2000s, foreign investors have concentrated their activity in a few sectors of the economy: the oil and gas industries, vehicle manufacture, copper mining, petrochemicals, foods, and pharmaceuticals. The most active investors have been British, French, Japanese, South Korean, Swedish, and Swiss companies. The Swedish Svedala Industri has played a major role in developing Iran's copper mines since the late 1990s. The Kia, Nissan, Peugeot, and Renault auto companies have licensing agreements with Iranian auto manufacturers. Nestlé of Switzerland and Coca-Cola and Pepsi-Cola of the United States have joint ventures with Iranian companies. Total, Shell, and Lucky Goldstar of South Korea have been active in Iran's natural gas industry. Iran's constitution prohibits direct concession of petroleum rights to foreign investors. In the 1990s and early 2000s, some indirect oilfield development agreements were made with foreign firms. French and South African firms gained major telecommunications contracts in 2004 and 2005, respectively.

Currency and Exchange Rate: The value of the rial, Iran's unit of currency, declined substantially between 2002 and 2005. In 2002 a multiple exchange rate was replaced by a single floating rate. In late March 2006, the exchange rate was approximately 9,140 rials to the U.S. dollar. The toman, which is worth 10 rials, is the preferred unit of currency in commerce.

Fiscal Year: Established by the Iranian calendar, the fiscal year begins March 21.

TRANSPORTATION AND TELECOMMUNICATIONS

Overview: Constant construction and expansion of the road and rail networks, even during the Iran-Iraq War (1980–88), have resulted in an overland transportation system that is adequate for freight and passenger demands in the early 2000s. Ports destroyed during the war have been rebuilt, and new ones on the Caspian Sea and Persian Gulf have been developed. Air transportation is relatively inexpensive, and all large cities and many smaller ones have airports with regularly scheduled daily flights.

Roads: Under Reza Shah Pahlavi (ruled 1925–41), a construction program provided Iran with a national system of roads. The road system was expanded in the 1960s and 1970s. After the 1978–79 Revolution, road construction programs focused on connecting rural areas to provincial cities. Since 1989, road construction has stressed ring roads around large cities and multi-lane highways between major metropolitan areas. The three national auto routes are the A–1 across northern Iran from the Turkish border in the west to the Afghan border in the east, and connecting Tabriz, Tehran, and Mashhad; the A–2 across southern Iran from the Iraqi border in the west to the Pakistani border in the east; and the Tehran-Qom-Esfahan-Shiraz highway, which traverses central Iran from north to south. In 2003 Iran had a total of 103,000 kilometers of paved roads and 79,000 kilometers of graded, unpaved roads. Beginning in the mid-1990s, subsidized gasoline supplies and increased domestic automobile manufactures have spurred overcrowding of the road system.

Railroads: The rail system, which originally was constructed in the 1920s and 1930s, has been undergoing constant expansion since 1989. In 2002 Iran had a total of 7,201 kilometers of rail line, 146 kilometers of which were electrified and 94 kilometers at the borders of Azerbaijan and Turkmenistan were broad rather than standard gauge. Only 13 of Iran's 30 provinces had railroad service in the early 2000s. The five main lines of the national system radiate from Tehran: one runs south to Khorramshahr and Abadan at the head of the Persian Gulf; one runs south to the Strait of Hormuz at Bandar-e Abbas; one runs southeast to Kerman, with a route under construction farther east to Zahedan, which already is connected to the Pakistan State Railways; one runs east to Mashhad and connects with the Central Asian system on the Turkmenistan border, and includes a spur to the eastern side of the Caspian Sea; and the fifth line runs northwest to Tabriz and the border with Turkey, where it connects to the Turkish State Railroad and includes a spur north of Tabriz to Azerbaijan's Nakhichevan enclave. In 2005 connections between Central Asia and the Persian Gulf were improved by a new line connecting Mashhad with Baqf in central Iran. Tehran also has a combined underground and surface rail commuter system, and in 2005 metro rail systems were under construction in Esfahan and Shiraz.

Ports: In 2003 about 20 million tons of cargo passed through Iran's ports. About 75 percent of that amount went through Bandar-e Abbas on the Strait of Hormuz. In the Iran-Iraq War (1980–88), destruction and Iraqi occupation of Khorramshahr on the Iraq border caused that city to lose its status as Iran's busiest port, giving greater importance to Bushehr and Bandar-e Lengeh on the Persian Gulf and Chabahar on the Gulf of Oman, as well as to Bandar-e Abbas. The main oil terminal is Khark Island, located 25 kilometers offshore in the northeastern Persian Gulf. Since 1992, Caspian ports have handled more trade as commerce with the Central Asian countries has increased. Modernization projects are underway in Bandar-e Anzeli on the Caspian Sea and Chabahar. The national Islamic Republic of Iran Shipping Lines (IRISL) has routes in the Persian Gulf and Caspian Sea and carries cargo to Europe and the Far East. In the early 2000s, IRISL had 84 vessels with a total tonnage of 2.5 million.

Inland Waterways: In 2004 Iran had 850 kilometers of inland waterways. The most important is the 193-kilometer-long Shatt al Arab (Arvanrud in Persian), which is formed in Iraq by the confluence of the Tigris and Euphrates rivers and then forms the Iran-Iraq border until it flows into the Persian Gulf. The ports of Abadan and Khorramshahr are located along the Shatt al Arab.

Civil Aviation and Airports: In 2004 Iran had 305 commercial airports, 129 of which had paved runways. Of those, 40 had runways longer than 3,000 meters. International airports are located at Tehran, Tabriz, Mashhad, Bandar-e Abbas, Bushehr, Esfahan, and Shiraz, and on the islands of Kish in the Persian Gulf and Qeshm in the Strait of Hormuz. In 2004 Iran's airports served about 4.3 million international passengers, about two-thirds of whom flew on domestic airlines. Because of security concerns, the military closed the newly opened Imam Khomeini International Airport in Tehran from mid-2004 until mid-2005, even though it was expected to be a major regional air hub. When it reopened in May 2005, its annual capacity was 6.5 million passengers, but its final design capacity is 40 million passengers and 700,000 tons of cargo. Plans called for gradual expansion of services. In 2004 the national airline, Iran Air, served 15 cities in Iran with connections to the Persian Gulf and European and Asian cities; it used a fleet of 36 aircraft and employed about 12,000 workers. The second-largest carrier, the private Asseman Airlines, connects the largest domestic cities with destinations on the Persian Gulf and elsewhere in Asia. In 2005 some 15 heliports were in operation.

Pipelines: In 2004 Iran had 16,998 kilometers of natural gas pipeline, 8,256 kilometers of oil pipeline, 7,808 kilometers of pipeline for refined products, 570 kilometers of pipeline for liquid petroleum gas, and 212 kilometers of pipeline for gas condensate. Iran's central pipeline infrastructure is designed for the distribution of natural gas for domestic use and for the domestic transit of oil, including from offshore oil fields to processing centers. That structure has been supplemented as the natural gas industry and the fuel export industry expanded. Since 2000 several new natural gas pipelines have been planned; some have failed because of geopolitical considerations (for example, U.S. opposition to a key Iranian role in delivering Central Asian oil and gas to the West), and some, such as the gas export line from Iran to Turkey, function at reduced capacity. In 2006 plans call for new pipelines to exploit markets in Armenia and Pakistan. The 160-kilometer line to Armenia is scheduled for completion in late 2006. The 2,600-kilometer line to Pakistan, which potentially also could supply India, remains in the planning stage in 2006.

Telecommunications: Most phases of telecommunications services are controlled by the state Telecommunications Company of Iran (TCI). Between 1995 and 2003, the number of telephone land lines increased from 86 to 146 per 1,000 population. In 2003 the ratio of telephone subscribers was 271 per 1,000 population. A large-scale modernization program, backed by heavy state investment, has aimed at improving and expanding urban service and reaching rural areas that lack telephone service. In 2005 an estimated 10 percent of Iran's population (68 million) had mobile telephone service through one mobile network, which was heavily congested and had a long waiting list. Despite the need for another network, in 2005 the Iranian parliament forced the Turkish company Turkcell to withdraw from a potential mobile phone consortium, in the process damaging Iranian-Turkish relations. Mobile Telephones Network of South Africa then accepted Iran's stringent licensing conditions and replaced Turkcell in late 2005. Internet use expanded rapidly in the early 2000s from an estimated 250,000 users in 1999 to an estimated 7 million users in 2004. The Telecommunications Company of Iran estimated that Iran will have 25 million Internet users by 2009. In 2005 some 12 major certified Internet service providers (ISPs) were in operation. However, the state filtered Internet content intensively.

GOVERNMENT AND POLITICS

Political System: Following the Islamic Revolution of 1978–79, a national referendum approved a new constitution; several amendments were approved in 1989. According to that constitution, the Islamic Republic of Iran is a republic with nominal separation of powers among the executive, judicial, and legislative branches. The senior figure in the system is the *faqih*, an expert in religious law, who also has the title Leader of the Revolution. The constitution named Ayatollah Khomeini as the first *faqih* by virtue of his role as leader of the 1978–79 Revolution. *Faqihs* are elected by a majority vote of the Assembly of Experts, a body of senior clergymen who are elected in national elections. The Assembly of Experts elected then president Ali Khamenehi as *faqih* after the death of Khomeini in June 1989. The legal system is based on sharia (Islamic law).

Executive Branch: The *faqih*, who exercises many de facto executive functions, is elected by a majority vote of the Assembly of Experts, an 86-member body of senior clergymen who are elected by popular vote every five years. The Assembly evaluates the work of the *faqih* in annual meetings; it can dismiss the *faqih* if he is deemed no longer qualified. The *faqih* is responsible for choosing the commanders of the military services and the head of the judiciary, setting general state policy, declaring war and peace, commanding the armed forces (including control of intelligence and security agencies), initiating and supervising amendments to the constitution, and supervising a variety of influential parastatal foundations and organizations. The executive branch is headed by the president, who in practice is the second-highest government official. He is elected in national elections every four years and is limited to two consecutive terms. The constitution specifies that the president must be a Shia Muslim. The current president, Mahmoud Ahmadinejad, was elected in 2005. The president selects several vice presidents and 21 ministers who constitute his cabinet. Ministers but not vice presidents are subject to approval by parliament. The *faqih* can dismiss a president if two-thirds of parliament votes to impeach him.

The relationship between the president and the *faqih* has been complicated. The strong personality of Ali Akbar Hashemi Rafsanjani (in office 1989–97) made him the most authoritative person in the political system, and as *faqih* Khamenehi acquiesced to his policies. By contrast, the reluctance of Rafsanjani's successor, Muhammad Khatami, to engage in confrontational politics enabled Khatami's conservative opponents to advance the authority of the *faqih* as superior to that of the president. In his early presidency, Ahmadinejad, whom Khamenehi did not back in the first round of the 2005 presidential election, presented himself as a restorer of the revolutionary ideals of Ayatollah Khomeini, implicitly criticizing Khamenehi and the other religious leaders of recent years.

Legislative Branch: The parliament is a bicameral legislature, consisting of the Majlis and the Council of Guardians. The Majlis comprises 290 deputies who are elected for four-year terms on the basis of universal suffrage. Five of these seats are reserved for special representatives of officially recognized religious minorities: two for Armenian Christians and one each for Assyrian Christians, Jews, and Zoroastrians. In 2005 some 12 women held seats. The Majlis may both propose and pass legislation, and the executive branch cannot dissolve it. Ministers of the cabinet can also present bills. All bills passed by the Majlis must be reviewed by the 12-member Council of Guardians for consistency with the constitution and with Islamic principles. Members of the Council of Guardians must be lawyers; the *faqih* and the Majlis each appoints six members. If the Council of Guardians finds a bill compatible with the constitution and Islam, the bill becomes law; if it finds a bill partially or wholly unconstitutional or un-Islamic, the bill is sent back to the Majlis for revision. In 1987 Khomeini resolved tension that had developed between the Majlis and the Council of Guardians by establishing the Expediency Council to resolve disputes between the two. In practice, the Expediency Council has upheld some Council of Guardians vetoes, overridden others, and sent back some vetoed legislation with instructions that the Majlis and Council of Guardians work out acceptable compromises. This pattern continued in both the Rafsanjani and Khatami administrations. The speaker presides over parliament, assisted by two deputies and a system of 22 permanent committees. Select committees also can be established when necessary.

Judicial Branch: The highest judicial authority is the State Supreme Court, members of which are appointed by the head of the judicial branch. That individual, appointed to a five-year term by the *faqih*, also approves the candidate list from which the president chooses a minister of justice. The Supreme Court, which has 33 regional branches, oversees enforcement of the laws by lower courts, sets judicial precedent, and acts as a court of appeal for military and common and revolutionary courts. The chief justice of the Supreme Court, appointed by the *faqih* to a five-year term, must be a Muslim cleric and judicial expert. The two most active courts are the traditional courts, which hear civil and criminal cases, and the Islamic revolutionary courts, which try offenses involving national security, drug trafficking, economic crimes, and official corruption. A Special Clerical Court tries Muslim clerics. Military and press courts hear specialized cases. The judges of all courts must be experts in Islamic law.

Administrative Divisions: Iran is divided into 30 provinces. A 2004 law divided the largest province, Khorasan in the northeast, into three separate provinces, designated as Northern, Southern, and Razavi Khorasan. The provinces are subdivided into counties (314 in 2005), districts, and villages.

Provincial and Local Government: Iran's provinces are administered by governors, who are appointed by the minister of interior. At the local level, directly elected city and village councils have exerted substantial authority since the first local elections in 1999. Conservative candidates swept most of the local council elections held in 2003.

Judicial and Legal System: Although the constitution provides for an independent judiciary, in practice the judicial branch is influenced strongly by political and religious institutions. Defendants have the right to public trial, choice of a lawyer, and appeal. Judicial authority is concentrated in the judge, who also acts as prosecutor and investigator with no legal counsel. In the early 2000s, reformers tried unsuccessfully to gain Majlis approval for the introduction of jury trials. The Islamic revolutionary courts deal with suspected crimes against national security and have authority to hold suspects for long pre-trial periods without the benefit of counsel. Charges often are vague, such as "anti-state activity" or "warring against God," and lawyers have complained of being harassed and even imprisoned. The Special Clerical Court, which is outside the court system and overseen directly by the *faqih*, deals with crimes committed by members of the clergy, including "ideological offenses." Such offenses include interpretations of religious precepts that are not acceptable to the establishment clergy and activities, such as journalism, outside the realm of religion.

Electoral System: Suffrage is universal at age 16. Direct elections every four years choose the Majlis, the president, and local councils. The Assembly of Experts is elected every five years. Because these elections are not held simultaneously, however, Iranians generally vote in a national election every year. Elections for the Assembly of Experts are scheduled for 2006. Each of the 290 seats of the Majlis nominally represents constituencies of about 200,000, but distribution favors urban areas. The city of Tehran, for example, has 30 at-large constituencies. Candidates for office at any level may simply declare themselves by filing a registration form and paying a nominal fee. The Ministry of Interior and the Central Oversight Committee of the Council of Guardians vet candidates for the presidency, the parliament, and the Assembly of Experts. Local boards supervise elections at the lowest governmental levels. Important qualifications for candidacy are a history of participating in the 1978–79 Revolution and a reputation for being a devout Muslim and observer of Islamic law. Postsecondary education also is relevant for national office. Candidates for the Assembly of Experts must be senior Islamic clergymen. The Guardian Council, which also organizes and oversees elections in cooperation with the Ministry of Interior, has used its vetting capacity to disqualify a high percentage of reform candidates, such as in the 2004 Majlis elections and the 2005 presidential election. In the Majlis elections, more than 2,700 candidates competed for 290 seats.

Politics and Political Parties: Official political activity is permitted only to groups that accept the principle of political rule known as *velayat-e faqih*, literally, the guardianship of the *faqih* (religious jurist). Political parties were legalized in 1998, and at least 25 were present in the sixth Majlis (2000–2004). In the early 2000s, allegiances, still based on special interests and patronage, remain fluid. In 1998, 18 parties joined in a broad coalition called the Second of Khordad Front. These were all reformist parties that supported the political and economic proposals of President Khatami; in the early 2000s, internal differences over specific economic policies have hampered the Front's effectiveness, however. During that period, the conservatives were more united, despite the existence of three major conservative parties—the Society of the

Militant Clergy, the Allied Islamic Society, and the Society of Qom Seminary Teachers. In 2002 the government permanently disbanded the opposition Freedom Movement, originally founded in 1961, and imprisoned some of its leaders. The Builders of Islamic Iran (known as Abadgaran) emerged as a powerful conservative coalition by winning a majority of Majlis seats in the 2004 elections.

Mass Media: The constitution guarantees freedom of the press, provided that published material complies with Islamic principles. Freedom of speech is not guaranteed. In 1997 and 1998, the Ministry of Culture and Islamic Guidance relaxed regulations for publishing licenses and issued several hundred licenses, which led to the emergence of scores of new newspapers and journals, most of which promoted reformist causes. Conservatives reacted by suing individual papers and publishers for libel, and in the year 2000 succeeded in getting the Press Court to suspend, temporarily or permanently, several dozen newspapers. However, reformist publications continue to express views on many contentious issues. The newspapers with the largest circulation are published in Tehran and include the conservative *Jomhuri-e Islami*, *Keyhan*, and *Resalat*. Among notable reformist newspapers closed by the Press Court in the early 2000s were *Shargh* and *Yas-e Now*. The state news service is the Islamic Republic News Agency, which publishes the English-language *Iran Daily*. Several foreign news agencies maintain offices in Tehran, including Agence France Press, Anadolu Ajansı, ITAR-TASS, Reuters, and Tsinhua. Radio 1 in Tehran is the most powerful radio station. Radio and television broadcasting is controlled by the state's Islamic Republic of Iran Broadcasting company. In 2002 an estimated 13 million radios and 7 million television sets were in use. An estimated 1 million satellite dishes are in use to receive international broadcasts, although they are forbidden and jamming has occurred. In 2003 the government assigned a commission to monitor Internet news sites.

Foreign Relations: The election of Khatami in 1997 led to improved relations with Iran's neighbors and with most of the West, excluding Israel and the United States. The Khatami government (in power 1997–2005) stressed commercial and geopolitical relations with Western Europe and Japan, which have opposed the U.S. Iran-Libya Sanctions Act banning major investment by third countries in Iran's energy resources. Foreign relations have been an area of consensus among conservatives and reformers since the late 1980s. In the early 2000s, attempts by the Khatami regime to find common ground with the United States did not achieve the desired normalization of bilateral relations. In fact, the Bush administration's inclusion of Iran as part of an "axis of evil" in 2002 brought relations to a new low in the post-1989 period. In 2004 and 2005, relations deteriorated further because U.S. officials believe that Iran intends to develop a nuclear weapons program. The Bush administration also expressed concern that Iran might be supporting insurgents against U.S. forces in Iraq and Palestinian groups opposed to the peace process in Israel. As relations with the United States remained strained and mutually distrustful in 2006, relations with Europe also declined because of Iran's insistence on processing nuclear fuel for its nuclear energy plant. In early 2006, the European Union (EU) supported a U.S. demand that the International Atomic Energy Agency (IAEA) refer Iran to the United Nations (UN) Security Council if the nuclear fuel enrichment program continues. Russia, which since 1995 has been building Iran's twin nuclear energy reactors for electricity generation, tried to reach a compromise agreement whereby Iran would agree to transfer all of its nuclear fuel processing program to Russia.

Since the overthrow of Iraqi President Saddam Hussein in 2003, Iran has established cooperative relations with the interim government, which is dominated by Iraqi Shia political parties that have had a close relationship with Iran since 1979. In the early 2000s, relations with other regional Arab countries have varied from “correct” or relatively good (e.g., with Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Syria, and the United Arab Emirates) to relatively strained (e.g., with Algeria and Egypt). Iran also has had relatively good relations with China, India, and Russia, particularly in the area of military cooperation. Relations with neighbors Pakistan and Turkey have been correct but not close; in 2006 a major gas pipeline deal had the potential to improve relations with Pakistan.

Membership in International Organizations: Iran is a member of the following international organizations: Colombo Plan, Economic Cooperation Organization, Food and Agriculture Organization, Group of 15, Group of 24, Group of 77, International Atomic Energy Agency, International Bank for Reconstruction and Development, International Civil Aviation Organization, International Control Commission, International Criminal Police Organization (Interpol), International Development Association, International Development Bank, International Federation of Red Cross and Red Crescent Societies, International Finance Corporation, International Fund for Agricultural Development, International Labour Organization, International Monetary Fund, International Organization for Migration, International Telecommunication Union, Islamic Development Bank, Multilateral Investment Guarantee Agency, Organisation for the Prohibition of Chemical Weapons, Organization of the Petroleum Exporting Countries, Pollution Control Agency, United Nations, United Nations Committee on Trade and Development, United Nations Educational, Scientific and Cultural Organization, United Nations Office of the High Commissioner for Refugees, United Nations Industrial Development Organization, Universal Postal Union, World Confederation of Labor, World Federation of Trade Unions, World Health Organization, World Tourism Organization, and World Trade Organization (observer status).

Major International Treaties: Iran is a signatory to the following international treaties: Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal; Comprehensive Nuclear Test Ban Treaty; Convention on Biological Diversity; Convention on the International Trade in Endangered Species of Wild Flora and Fauna; Convention on the Prevention of Marine Pollution by Dumping Wastes and Other Matter (London Convention); Convention on the Prohibition of the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction; Convention on the Prohibition of the Development, Production, and Stockpiling of Chemical Weapons and on Their Destruction; International Atomic Energy Agency Safeguards Agreement; Montreal Protocol on Substances that Deplete the Ozone Layer; Partial Test Ban Treaty; Ramsar Convention; and Treaty on the Non-Proliferation of Nuclear Weapons.

NATIONAL SECURITY

Armed Forces Overview: In 2005 the armed forces, under a unified command with the *faqih* as commander in chief, included about 540,000 active personnel in the regular forces and 120,000 in the auxiliary Islamic Revolutionary Guard Corps. Since the Iran-Iraq War of 1980–88, a main

policy goal has been to be as independent as possible of alliances and foreign arms supplies. Accordingly, Iran has eschewed military alliances, although it has reached military supply agreements with a number of countries. Modernization of the navy, seen as vital for protecting interests in the Persian Gulf, is a high priority. Iran has purchased submarines and surface vessels from abroad and manufactures tanks, artillery, medium-range missiles, and helicopters. Technology purchased from North Korea and China, and refined by the domestic defense industry, supports a growing missile force that is considered the most important element of air defense policy.

Foreign Military Relations: In 2001 Iran signed a 10-year military-technical agreement with Russia that included assistance in aircraft maintenance and design estimated to be worth US\$4 billion. In 2002 Iran signed a defense cooperation agreement with India. The latter agreement allows India to use Iranian military facilities in case of a war with Pakistan and provides Iran with Indian technical assistance in the building of aircraft and tanks. North Korea has supplied Iran with an unknown amount of technical assistance and equipment supporting the development of Iran's Shahab-3 ballistic missile.

External Threat: In 2003 the removal of Saddam Hussein from the presidency of Iraq eliminated a major regional threat, although during the 1990s United Nations sanctions on Iraq had limited the possibility of conflict. The events of 2003 replaced Saddam's threat with the large-scale, potentially long-term presence of the United States, a country that Iran officially considers its primary enemy. That event compounded the worry caused by the entry of U.S. forces into Afghanistan, to Iran's east, in 2001. Iran also considers Israel a major threat because Israel often has threatened an air strike against Iran's nuclear facilities.

Defense Budget: Iran's defense budget for 2004 was estimated at US\$3.5 billion, which was a slight increase over the 2003 level of US\$3.0 billion. The 2002 budget also was US\$3.0 billion. Between 2000 and 2002, defense expenditures rose from 3.3 percent to 4.8 percent as a percentage of the gross domestic product.

Major Military Units: In 2005 the army had about 350,000 active personnel assigned to four armored divisions, six infantry divisions, two commando divisions, one airborne brigade, and five artillery groups. The navy had about 18,000 active personnel in 2005, of whom 2,000 were in naval aviation and 2,600 in marine units. The navy operates bases at Bandar-e Abbas, Bushehr, Khark Island, Bandar-e Anzelli, Bandar-e Khomeini, Bandar-e Mahshahr, and Chabahar. The air force had about 52,000 active personnel in 2005, including 15,000 assigned to air defense units. Air force combat forces were organized in nine ground-attack fighter squadrons, five fighter squadrons, and one reconnaissance squadron. In addition, in 2005 the ground forces of the Islamic Revolutionary Guard Corps (IRGC) included an estimated two armored, five mechanized, and 10 infantry divisions and one special forces and 15 to 20 independent brigades. The IRGC also included one brigade of marines.

Major Military Equipment: In 2005 the army had 1,613 main battle tanks, 210 armored infantry fighting vehicles, 300 armored personnel carriers, 2,010 pieces of towed artillery, 310 pieces of self-propelled artillery, 976 multiple rocket launchers, 5,000 mortars, 12 to 18 surface-to-surface missiles, 75 antitank guided weapons, and 1,700 anti-aircraft guns. The navy had 3

submarines, 3 frigates, 56 patrol and coastal combatants, 7 mine warfare vessels, and 10 amphibious vessels. The air force ground-attack fighter units had F-4D, F-4E, F-5E, Su-24MK, Su-25K, and Mirage F-1E aircraft; the fighter units had F-14, F-7M, and MiG-29A aircraft. The air force also had 34 helicopters.

Military Service: Males are legally eligible for conscription between ages 18 and 50, for an active service term of 21 months, followed by voluntary reserve service. Individuals may volunteer for active duty at age 16. About 80 percent of army personnel are conscripts, as are 60 percent of the Revolutionary Guards; navy and air force personnel are mainly volunteers.

Paramilitary Forces: The volunteer paramilitary force, the Popular Mobilization Army, or Basij, includes an estimated 300,000 personnel, mainly youths, with an estimated capability to expand to 1 million if needed. The Basij are under the authority of the Islamic Revolutionary Guard Corps.

Military Forces Abroad: In 2005 Iran had about 150 Revolutionary Guard Corps personnel in Lebanon, military advisers in Sudan, and three observers with the United Nations Mission in Ethiopia and Eritrea.

Police: About 40,000 police serve under the Ministry of Interior, including border patrol personnel. The Police-110 unit specializes in rapid-response activities in urban areas and dispersing gatherings deemed dangerous to public order. Marine police have 90 inshore patrol and 40 harbor boats. In 2003 some 400 women became the first female members of the police force since the 1978–79 Revolution.

Internal Threat: Despite strong government countermeasures, Iran is a main transit country for narcotics from neighboring Afghanistan and Pakistan and destined for Europe, Central Asia, and the Gulf region. Considerable quantities of these narcotics are sold illegally in Iran and are the main source of a serious and growing addiction problem. In 2005 Iran had the highest rate of opium addiction in the world, and illegal drug sales in Iran were estimated to value US\$10 billion. In the early 2000s, other types of smuggling increased rapidly, especially in Iran's impoverished border provinces. Corruption in the border police is a major factor in this trade. The Iraq-based Mojahedin-e Khalq (National Liberation Army) seeks the removal of the Iranian regime by armed action, and its methods include the use of terrorist tactics. However, its activities inside Iran have been minimized by a domestic crackdown and by the fall of its patron, Saddam Hussein. Smaller insurgent groups are the People's Fedayeen, Democratic Party of Iranian Kurdistan, and Komala. The Paris-based National Council of Resistance of Iran is the umbrella group of the Mojahedin-e Khalq for overseas opposition groups.

Terrorism: During 2005 several incidents of domestic terrorism occurred using bombs planted in public places; most of these were in areas of ethnic tensions, such as West Azerbaijan (Kurds and Turks) and Khuzestan (Arabs and Lurs) provinces, although there also were bomb incidents in Tehran during the presidential election. Although Iran has consistently condemned all terrorist actions abroad, including those carried out against Israel, the U.S. Department of State named Iran the most active state sponsor of terrorism in the year 2004. Israel and the United States have

contended that Iran has supplied funding, havens, training, and weapons for the Lebanese Hezbollah and Palestinian groups such as Hamas and the Palestine Islamic Jihad.

Human Rights: International human rights organizations have cited major abuses in Iran's judicial system. Violations listed include arbitrary arrest, lack of due process, denial of access to attorneys, restrictions on family visits, prolonged periods in solitary confinement, and inhumane punishments in unofficial detention centers. Prison conditions are poor, particularly regarding food and medical care. The government has acknowledged its policy of incarcerating political enemies. The paramilitary Basij sometimes monitor behavior in public spaces and are authorized to detain individuals deemed in violation of dress codes.

After a period of liberalization in the first regime of President Khatami (1997–2001), in the early 2000s government control of the media grew noticeably more stringent. The government controls all television and radio broadcast facilities. Domestic and foreign publications and films are censored. The State also filters Internet content.

Members of religions not specifically protected by the constitution (Christianity, Islam, Judaism, and Zoroastrianism) do not have full rights to assemble. Iran's estimated 300,000 Bah'ais are people most affected by this lack of protection and in the past have been subjected to legal and religious discrimination.

The Family Protection Law of 1967, which had extended some rights to women, was repealed after the 1978–79 Revolution. Marriage law discriminates against women in divorce, child custody, and inheritance from deceased spouses. In theory a man may have as many as four wives at one time, provided he has the written consent of his wives; temporary marriages also are permitted, although they do not provide women with the same legal rights as permanent marriages. Court testimony by a woman is regarded as worth one-half that of a man. Although women have equal access to education, social and legal conditions limit their professional activities.