



Research Article

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A Review of Iran's Developmental Challenges in the Contemporary International System: A Non-Iranian Perspective

Zekeri Momoh

Department of Political Science and Diplomacy,
Veritas University,
Abuja, Nigeria

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Abstract

This research looked at the hurdles to Iran's growth plans in the modern world political economy. The data for this study was gathered from secondary sources such as textbooks, magazine articles, and online sources, and the data was analysed using content analysis. According to this study, Iran has been plagued by violent strife for many years. Furthermore, the mistaken economic policies of earlier Iranian leaders, as well as a reluctance to open the economy to international investors, have contributed to the country's economic stagnation throughout the years. Finally, this study suggests, among other things, that a total shutdown of the Iranian economy in the current global economy will continue to deprive Iran of the myriad economic gains associated with globalisation.

Keywords: Economy, Globalization, Governance, Iran, Political instability

1. Introduction

Iran is among the world's oldest states, stretching back over 2,500 years. Before 1935, Iran was identified as Persia when the first of the two monarchs to rule the country changed its name to Iran, which has an origin similar to Aryan. However, the name Persia existed over 2500 years ago when it was created by Darius and Cyrus, who were among its great emperors. In addition, studies have shown that the name Persia comes from the Farsi language class. On April 1, 1979, Iran was renamed the Islamic Republic of Iran after a referendum.

Over the years, studies have further shown that Iran is made up of Persians who make up almost half of the country's population which is estimated at 51 per cent with other ethnic groups such as Kurds / (Kord) estimated at 7 per cent and Arab's 3 per cent estimated. Kurds and Arabs make up over 8 per cent of the total population. Other ethnic groups are Lurs (Lor) and Northern Iranians (Shomali). Recently, not even three in five Iranians speak Farsi or any of the various dialects in Iran. In terms of religious composition, Shiite Muslims represent 89 per cent; Sunni Muslims represents 9 per cent and another 2 per cent (Hauss, 2006).

The Iranian Revolution in 1979 under the leadership of Ayatollah Khomeini (1900-1989) resulted in the establishment of an Islamic Republic with the sole aim of liberating Iran from the corrupting influence of Western materialism and Great Satan (the United States of America), which will make it

possible for a traditional administrative system based on the legal system of the Sharia. However, in 2002, President George W. Bush designated Iraq, Iran, and North Korea as part of an axis of evil that was later expanded to include Cuba, Syria, and Libya before being removed off the list (Heywood, 2007: 139). The election of President Mahmoud Ahmadinejad among the 15th number of Iranians because President Mahmoud Ahmadinejad allegedly manipulated the elections. This led to a two-week protest from hundreds of thousands of Iranians who were put down by the government. However, one of the consequences of this protest was that it challenged the legitimacy of President Mahmoud Ahmadinejad (Kegley et al, 2011: 264).

Iran has almost 100 billion barrels of proven crude oil reserves. Iran produces almost four million barrels of oil per day, the majority of which is sold on the world market. However, despite this natural resource wealth, it has not resulted in affluence when compared to nations like as Kuwait, Saudi Arabia, and other Persian Gulf countries. Against this backdrop, this paper investigates the obstacles that Iranian development policies confront in the modern international political economy.

2. Review of Literature on Iran's Developmental Challenges and the International International System

The concept of development remains one of the widely used concepts in contemporary international political economy literature that does not have a generally accepted definition. Hence, we will use a definition appropriate for this study. Hence, our understanding of the development strategies of Iranian leaders over the years has focused on improving the well-being of millions of Iranians. A cross-country study focusing on addressing the challenges of poverty, inequality and unemployment was carried out by Seers (1969) in his viewpoint on the essence of development that the concerns regarding a country's development are thus: What happened to the poverty? What happened to unemployment? What happened to the inequality? When all three of these concerns have declined from a high level, the country in question has obviously passed through a developmental stage. Even if head income has doubled, it would be odd to call the consequent development if one or two of these essential aspects had deteriorated, let alone all three. Seer's contribution to the importance of development is significant to our understanding of the type of development desired by the Iranians, as it is aimed at improving the living conditions of the citizens.

However, just a few years ago there were only a few websites that provide information about the Iranian economy and development strategies to an international audience. This is because Iranians have a limited number of websites with information in English that provide useful information to non-Iranians about the state of the Iranian economy. In the literature of international political economy, Iranian scholars and researchers alike have carried out significant studies on the political economy of Iran. One of the consequences of this is that foreign researchers from other parts of the world are not locked up. This loophole in terms of access to data has made some scientists and researchers from other parts of the world equally sceptical, as most data is regulated directly and indirectly by the Iranian government (Haus, 2006: 398).

Regardless, the interest of organizations and researchers in the political economy of Iran is growing. For example, the Middle East Research Information Project (MERIP) has provided links to some official websites that regularly publish news about the Iranian economy (www.merip.org). However, the position of the Middle East Research Information Project (MERIP) on the Iranian economy was seen by some analysts on the left side of the political spectrum. Similarly, the Columbia University School of International and Political Affairs has carried out similar research assisting scientists and researchers with data from, among others, Gulf states such as Iran, Iraq and Kuwait (www.gulf2000.columbia.edu/iran.shtml). The Iran Focus is also not left out to provide important information about the economy and politics of Iran (www.iranfocus.com/modules/news).

In addition, the Iran Chamber data were found useful in understanding the political economy of Iran (www.Irchamber.com). Finally, the official website of the Iranian President provides information on Iran's foreign policy thrust, particularly towards the United States (www.president.ir/eng/).

Recently, social scientists and researchers have done some studies on Iran such as B. Sciolino (2000) thesis Focus on Iranian; Nafisi (2003) examined the relationship between gender and politics in Iran using findings from a small American literature seminar led by a former Iranian professor. Pollack (2004) argued why the Americans shouldn't have gone to war against Iraq. Roy (2001) argues that any effort to build a political agenda based on Islamic principles will never work on the experience of Iran.

The work of Brumberg (2001) focuses on the analysis of Khomeini's leadership style and how politicians tried to live his leadership style after death. The work of Keddie (2003) offers the reader an in-depth analysis of the nature of Iran from the 18th century to 2003 when the work was published. The work of Macky (1996) focuses on the historical development of the Iranian states and the cultural evolution over the years. In their study on the Iranian economy in the 20th century, Esfahani et al. (2009) analysed the evolution of the Iranian economy in the twentieth century in an international setting. They contend that foreign forces such as trade and investment, as well as internal elements and policies such as Iranian manufacturers' capacity to adapt to international challenges and opportunities, played a significant part in Iran's transition around the turn of the century. As a result, this study is significant since it adds to the current literature on Iran's recent development issues. With this in mind, this research tries to investigate the development issues of Iran in today's international political economy.

3. Iran's Developmental Challenges and Contemporary International System

Iran lies in the Middle East and borders the Caspian Sea, Kazakhstan, Russia, Armenia, Azerbaijan, and Turkmenistan in the north, Afghanistan and Pakistan in the east, Iraq in the west, Turkey in the northwest, and the Persian Gulf and the Gulf of Oman in the south. In the south, Iran borders Kuwait, Saudi Arabia, Bahrain, Qatar and Oman. For this reason, Iran is considered a coastal state. In terms of the physical environment, Iran is surrounded by eroded mountains, including the Alborz Mountains north of the capital Tehran and the high indoor basin and the central desert south of Tehran (<https://en.atu.ac.ir/?Fkeyid=&siteid=2&pageid=5881>). Iran now has a total area of 1,648 million square kilometres, or 636,296 square miles, ranking it as the 17th largest nation in the world by area (<https://www.gecf.org/countries/iran>).

The Iranian government's foreclosure policy in 1979 to exclude itself from international economic relations has damaged the Iranian economy in many ways. One of these has been attributed to the decline in Iran's share of OPEC and the world market. Second, Iranian leader Ayatollah Ruhollah Khomeini's decision to increase the birth rate, which eventually resulted in a 45% population growth, estimated at 39 million in 1980, 56 million in 1990, and over 81 million today. Third, the economic sanctions imposed on Iran, coupled with the Iranian leadership's inability to manage state resources despite the creation of large state-owned companies, resulted in sustained increases in the prices of goods and services (inflation). Another consequence of the poor mismanagement of the Iranian economy was the weakening of the Iranian currency. Furthermore, it can be argued here that the development strategies of Iranian leaders are lacking to steer the economy (Ghodsi, 2018).

Though, these challenges have been connected to the effects of political instability and economic support One of these challenges emanates from the cost implication of the Iran-Iraq war (1980-1998) in which chemical weapons were used against the Kurdish civilians. The war began on September 22, 1980, when Iraq raided Iran; by June 1982, Iran had forced Iraqi armed troops to retreated into Iraq, indicating Saddam Hussein's willingness to stop the deadly battle with Iran; Iran refused, and by July 1982, the fight between the two nations had become brutal. In order to obtain aid from the United States. By 10 February 1986 Iranian army captured the Fao Peninsula in Iraq and by April 1988 Iraqi army was able to force the Iranian military back to Iran and by 20 August 1988, Iraq signed a cease-free with Iran.

It is worth noting that the almost eight-year Iran-Iraq War (September 22, 1980 to August 20,

1988) was one of the deadliest wars in contemporary Middle Eastern history, as well as the most distracting military conflict between two developing countries to date. Both sides estimated that one million people died as a result of the battle. In addition, hundreds of thousands of Iranians and Iraqis have been disabled for life and many children have been killed. Furthermore, the Iran-Iraq war was one of the deadliest in human history, sparked by personal hatred between Saddam Hussein and Ayatollah Khomeini, as a result of leaders' desire for regional leadership and retaliation for past injustice, Saddam Khomeini was expelled from the Shiite holy city of Najaf, where he lived and taught for 14 years, in 1978. It might be argued that after nearly eight years of violent conflict, both Iran and Iraq failed to achieve their military goals, but their economies have suffered as a result of the scars of war.

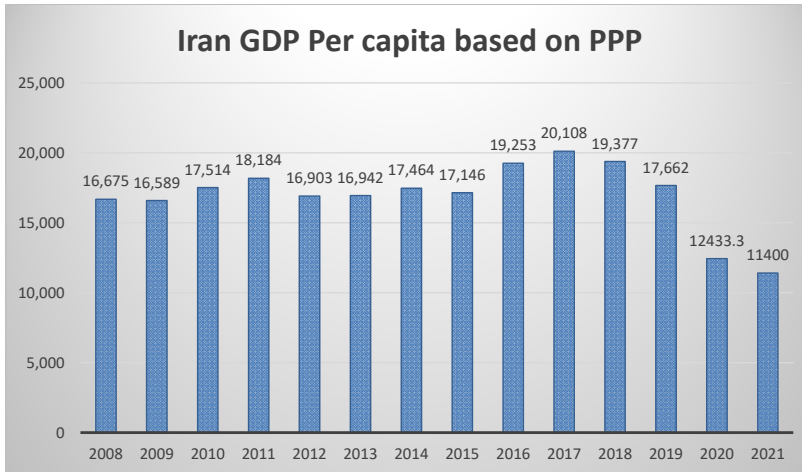
However, since 2002 attempts have been made to open the economy to foreign investors, but not without challenges ranging from nationalized investments, political instability, unhealthy business environment due to government regulations. For example, when the Iranian government signed a contract for Imam Khomeini International Airport with a Turkish company in 2002, which was later revoked because awarding such a contract to foreign investors would be a disregard for Iranian honour. This unique act can deter foreign investors from investing in the Iranian economy.

When the Conservative Majlis took power in 2004, stricter laws were passed to make it harder for foreign investors to invest in Iran. However, President Rafsanjani was seen as open to economic reforms. Although, Khatami, the regime is no different from what other Iranian leaders who have shut down the economy have done. To date, Iran has one of the smallest private sectors in the Middle East that has escaped government control. Ironically, the Iranian government owns very little in the economy, but it controls Bonyads (an Islamic charity company that controls the clergy), other and private companies have left the government at the forefront of control of the economy.

With a GDP of around \$549 billion in 2012, the Islamic Republic of Iran was named the second-largest economy in the Middle East and North Africa. Iran's mineral resources include, in addition to oil and natural gas, copper, iron ore, coal, manganese, chrome, lead, zinc, and sulphur (<https://www.gecf.org/countries/iran>). Iran is the second-largest country in the world with the highest natural gas reserves and the fourth-largest oil-producing country in the world. Because of this, the main source of income for the Iranian government comes from the sale of crude oil in the international market.

In addition, the Iranian government's policy has focused on the manufacturing, financial and service sectors. Today Iran has an estimated population of 81.8 million people (<http://povertydata.worldbank.org/poverty/country/IRN>) with an estimated gross domestic product (GDP) of \$ 447.7 billion in 2017., Iran's GDP fell to 3.8 per cent in 2017/2018 due to fluctuations in the price of crude oil on the world market. However, most of the country's GDP growth has come from the non-oil sector, so more than half of the country's GDP growth comes from the service sector, which is estimated at 4.4 per cent.

At this point, it should be noted that Iran is by no means a poor country in terms of per capita income and purchasing power parity (PPP). For example, in 2019 Iran's GDP per capita based on PPP was estimated at \$ 17,662. In 2000, Iran's GDP per capita based on PPP grew from \$ 10,423 to \$ 17,662 in 2019 at an average annual rate of 2.97% (<https://knoema.com/atlas/Iran/GDP-per-capita-based-on-PPP>). For example, Figure 1 and 2 below shows that Iran's per capita income and purchasing power parity (PPP).



Source: Data collected from Knoema Corporation US, 2020; <https://tradingeconomics.com/iran/gdp-per-capita-ppp>

Figure 1 above shows that the Iranian GDP per capita based on Purchasing Power Parity in dollars shows that in 2008 (USD16,675); 2009 (USD 16,589); 2010(USD17,514); 2011 (USD18,184); 2012 (USD 16,903); 2013 (USD 16,942); 2014 (USD 17,464); 2015 (USD 17,146); 2016 (USD19,253); 2017 (USD 20,108); 2018 (USD 19,377); 2019 (USD17,662); 2020 (USD 13,073) and 2021 (USD 11,400).

However, the oil boom the country has seen for some time has not resulted in addressing this state of poverty, inflation and unemployment. In Iran, for example, the number of people living in poverty decreased by 5% in 2013, with the poverty rate standing at 8.10%. However, between 2013 and 2014, the total number of Iranians living in poverty rose to 10.50% with an annual increase of 2.4%. Here, too, the poverty rate rose to 11.00% between 2014 and 2015, with an annual increase of 0.5%. In addition, the poverty rate rose to 11.60% between 2015 and 2016 with an annual increase of 0.6% (www.macrotrends.net/countries/IRN/iran/poverty-rate).

The issue of unemployment in Iran remains at a double-digit level. Iran recorded a drop in unemployment from 12.10% to 10.90% in the second quarter of 2019, averaging 11.7% between 2001 and 2019. However, the established unemployment rate was recorded in the first quarter of 2002 at 14.70% and the die lowest unemployment rate was recorded in the fourth quarter of 2008 with an estimated 9.50% (www.tradingeconomics.com/iran/unemployment-rate).

In addition, Iran recorded an increased annual inflation rate from 27.0 per cent to 27.8 per cent between November and December 2019. As a result, the transport costs have increased accordingly from 33.4 per cent to 50.2 per cent. The prices for other goods also rose from 24.9 per cent to 25.7 per cent. In addition, communication costs rose by the same amount from an initial 1.7 per cent to 2.8 per cent. Iran's medical service increased from 24.2 per cent to 24.7 per cent; Tobacco from 1.5 per cent to 6.0 per cent; Food and soft drinks from 28.7 per cent to 29.8 per cent; Housing and Utilities from 22.5 per cent to 23.5 per cent; clothing and shoes from 34.5 per cent to 36.1 per cent; Furniture & Household Appliances from 31.3 per cent to 35.6 per cent; Leisure & Culture 29.5 per cent to 30.2 per cent; Restaurants and hotels from 35.3 per cent to 36.4 per cent; and education from 21.3 per cent to 22.3 per cent. A detailed analysis of the inflation rate in Iran monthly shows that consumer prices in December 2019 remained at 3.2 per cent (<https://tradingeconomics.com/iran/inflation-cpi>).

It is worth noting that at the turn of the twenty-first century, Iran had evolved into a complex and relatively significant Middle Eastern economy. It can be said that the situation at the time, together with the viability of state institutions and Iran's economic resources, had a significant role in Iran's change (Esfahani et al 2009). However, the Iranian economy received a notable boost after the

lifting of economic sanctions in 2016 (World Bank, 2017; Ghodsi, 2018). Since 2016, the Iranian economy has received a significant boost from the signing of the JCPOA nuclear deal as some Western countries began to establish economic and trade ties with Iran. But the Iranian economy has not yet returned to its peak, reached in 1976 when the countries recorded one of the highest real GDPs per capita.

However, since 2018 the United States has tightened its economic sanctions against Iran in an attempt to abandon its nuclear program. The economic sanction had negative consequences for the Iranian economy. Likewise, it can be argued that Iran's economic efforts are not only related to the economic sanctions imposed on the Iranian economy but that much of the blame can be attributed to the mismanagement of state resources by former Iranian leaders who have never been given a major priority to the economic one Development of the country over the years.

A closer look at the Iranian economy, based in particular on the annual inflation trend in Iran, shows that Iran recorded an average inflation rate of 14.43 per cent between 1957 and 2019. Iran recorded the highest inflation rate in May 1995 with 59.02 per cent, while the lowest value was recorded in April 1958 with -3.27 per cent (<https://tradingeconomics.com/iran/inflation-cpi>). It can be argued that the years of closed economic policies that prevented foreign investors from investing in the Iranian economy hurt the country's economy. For example, over 80 per cent of Iran's economy was government-controlled and owned, especially when compared to other Middle Eastern countries. Here, too, the Iranian private sector was neglected for years compared to other states in the Middle East concerning the efficient and effective provision of services, especially during the Shah regime.

Hence, in the current age of globalization, it is difficult for any economy to grow without a robust private sector. Hence, the Iranian private sector is still developing and requires significant government efforts to open the economy to local and foreign investors to develop the Iranian economy in the face of the impact of the war on the economy over the years as well as the misguided economic policies of the past leaders. To that end, opening up the Iranian economy is not bad in the context that some analysts have argued and envisaged for the Iranian economy. But it is fair to say here that no nation can live in isolation in the current international economy, since the benefits of economic interactions, especially in the long run, outweigh the benefits of isolating an economy from the world economy.

4. Conclusion

Iran remains one of the Middle East rich in natural resources. However, years of political instability and misguided economic policies by previous leaders have put the country's economy on the list of the worst economies in the Middle East in recent years. However, this study has argued that tackling the current state of the Iranian economy requires opening up the previously closed economy. In addition, this study argued that much is being asked of the Iranian government, particularly in terms of developing private sector capacity. This is because the private sector, especially foreign investors, continues to be of vital importance to the development of the Iranian economy in the current age of globalization. Thus, for the Iranian economy to loop from its current state and remain relevant within the international political economy, efforts of both the government and the organized private sector are required, as no economy can develop recently without the concerted efforts of the Government and private sector. To that end, closing the economy will not be in the best interests of the Iranian economy, since opening the economy is more desirable than closing an economy.

5. Recommendations

A critical analysis of the state of economic growth and development in recent times shows that much is being asked of the Iranian government to create the necessary economic and political climate that will reposition the country in terms of sustainable economic growth and development. With this in mind, we recommend:

First, the Iranian government should implement economic reforms that will help create a business-friendly environment that allows the private sector to operate freely.

Besides, the Iranian government should provide the necessary investment climate for foreign investors by formulating and implementing policies and programs that open up the economy so that investors have equal opportunities to invest in critical economic sectors such as manufacturing and finance.

Again, the Iranian government should participate in the privatization of the service sector. For example, the service sector has contributed in no small measure to the country's GDP in recent years compared to the oil sector in 2017/2018 when the country saw a drop in the price of crude oil in the international market as the tide of terrorism is rising in the country crucial to attract foreign investors into the country. Over the years, the ongoing state of violence that has ravaged the country has deterred potential and foreign investors as no investor wants to invest in a country where their investments are unsafe.

In addition, the Iranian government must work with foreign investors to develop critical infrastructures such as the road in the country.

Finally, the fight against corruption remains crucial to the development of the Iranian government if the country is to make progress in the fight against rising poverty and unemployment.

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