

## COUNTRY PROFILE



## Iran

GLOBAL RANK: 73rd of 104



The sharp disparity between Iran's Economic Competitiveness rank and Comparative Liveability rank, at 87th and 55th respectively, results in an overall ranking of 73rd place in the Index. The country rates particularly poorly for its governance.

## ● BACKGROUND

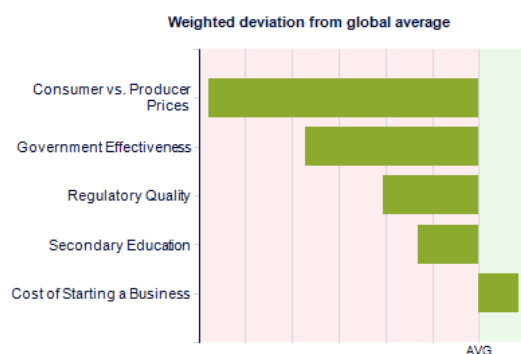
The economy of this Persian Gulf state suffers from poor economic management and high state intervention. 70% of the population is under 30 years old, and high unemployment has led to widespread political discontent among the young. Oil revenues are booming, but profligate government spending has caused high inflation. Iran is governed by an authoritarian Islamic theocracy, in which political dissent is repressed and women struggle for equality. Apostasy and homosexuality are capital crimes, and the Bahá'í religious minority is persecuted. Iran remains under economic sanctions from the US and EU, and in a state of high military tension with Israel.

## FAST FACTS

<b>Population:</b>	65.8 million (2008 est.)	<b>FDI (net inflow):</b>	0.02% (2005 est.)
<b>Life Today</b>	5.3 (2007 est.)	<b>Exports</b>	30.98% (2006 est.)
<b>GDP (PPP)</b>	\$753 billion (2007 est.)	<b>Imports</b>	22.05% (2005 est.)
<b>GDP (Growth)</b>	5.8% (2007 est.)	<b>Unemployment:</b>	12% (2007 est.)
<b>GDP (per Capita)</b>	\$10,600 (2007 est.)	<b>Life Expectancy</b>	70.86 years (2008 est.)
<b>Political System:</b>	Theocratic Republic		
<b>Foreign Aid:</b>	0.05% (2006 est.)		

## ● KEY SCORE DRIVERS

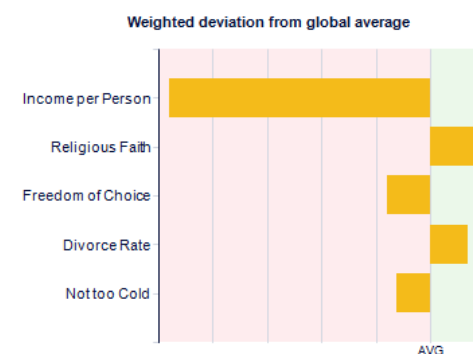
## ECONOMIC COMPETITIVENESS



Iran's economic fortunes rest almost entirely on its oil reserves, which provide 85% of government revenues. This creates a great degree of dependence on commodity exports. The theocratic state controls almost all economic activity, and private sector growth is limited by inefficient governance, poor regulatory quality, price controls, and widespread corruption.

President Ahmadinejad, who was elected in 2005, has promised the poor a greater share of Iran's oil wealth, and as a result the economy is further weighed down by large government subsidies, especially on food and fuel. Moreover, untargeted energy subsidies amount to about 10% of GDP, according to the World Bank. Such policies have resulted in double-digit inflation and a thriving black market economy

## COMPARATIVE LIVEABILITY



The low average incomes in Iran are severely detrimental to its life satisfaction. Unemployment of 11% of the workforce is also a major obstacle in the quality of life for many Iranians, particularly amongst the younger generation. As a result of Iran's high birth rate after the 1979 revolution, a large demographic bubble is coming into the labour market, and these would-be workers are finding few job openings, especially given the restrictive employment regulations.

The country also faces significant environmental challenges, especially given the growing population. Cold winters add to the woes of the poor, and pollution -- especially from cars and poor sewage facilities -- poses a major urban environmental concern. Air pollution in Tehran and other major cities far exceeds the standards

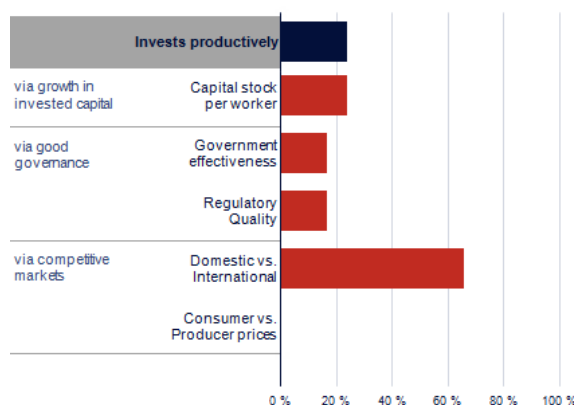
that often leads to shortages. Relative movements in price levels indicate an extraordinarily low level of competition in the country's domestic markets, although these movements may also reflect the impacts of the government's unorthodox policies.

Political unrest and uncertainty over international sanctions related to Iran's nuclear fuel program deter capital investment. However, Iran does benefit from the low cost of starting a business, which encourages the formalisation of businesses. Nonetheless, the level of education of the workforce is rated poorly, and many better-educated Iranians seek opportunities overseas, causing skills shortages and further hampering growth and productivity.

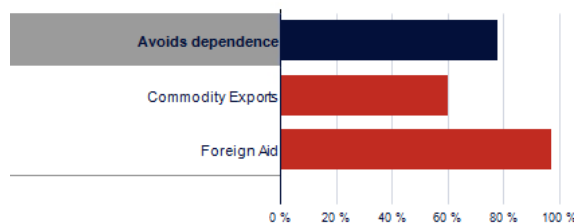
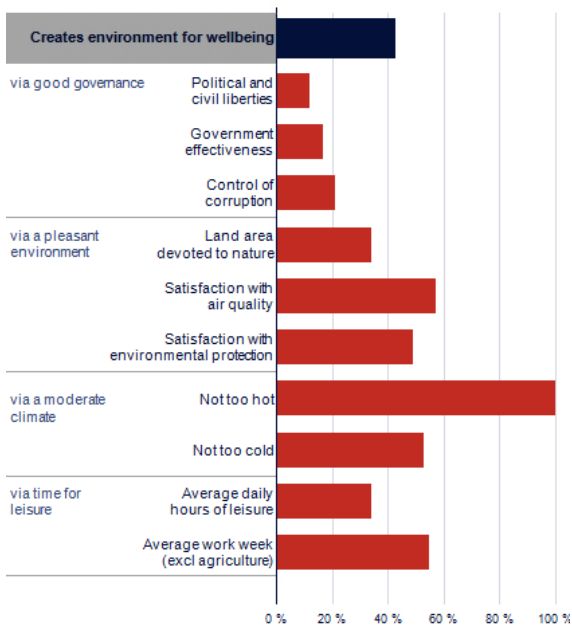
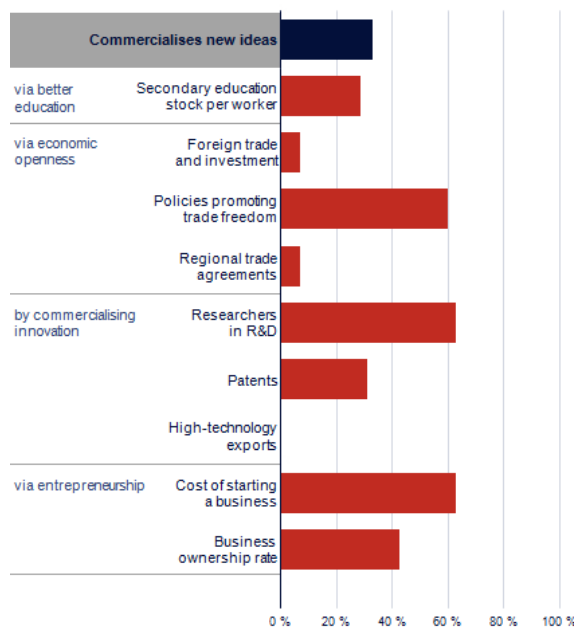
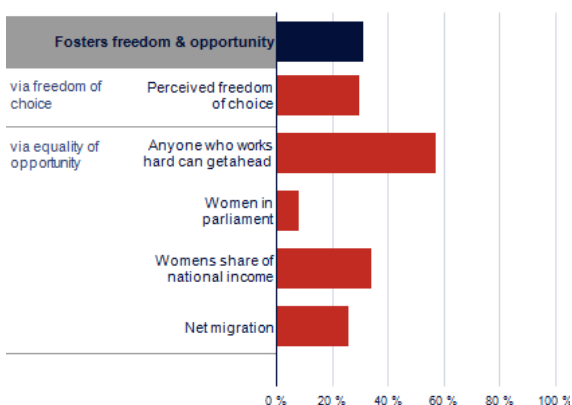
set by the World Health Organization, and is the cause of serious health problems for many Iranians. Religious and political freedoms are severely restricted, and Iranians report low levels of satisfaction with their freedom to choose the course of their lives.

However, traditional cultural strengths raise life satisfaction levels beyond what these predominantly negative indicators would suggest. One of these is religious faith, which remains extremely strong. Divorce rates are also low, at 0.5%<sup>9</sup> of the population, suggesting a good family life, although this indicator should be interpreted with some caution, given religious restrictions on ending marriages.

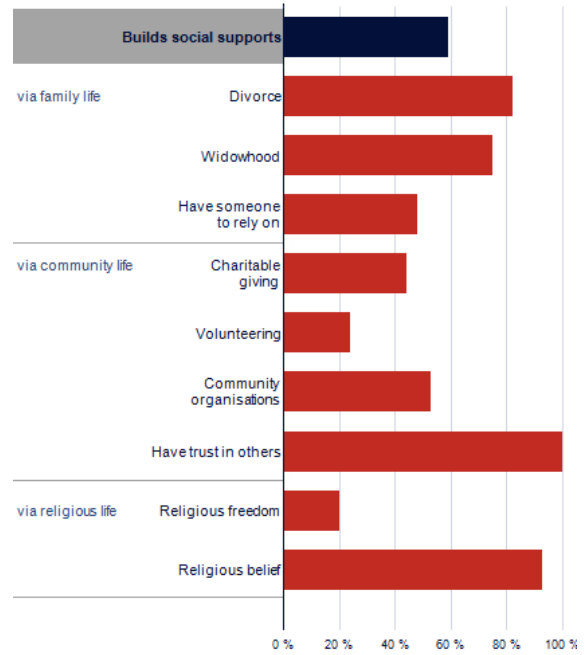
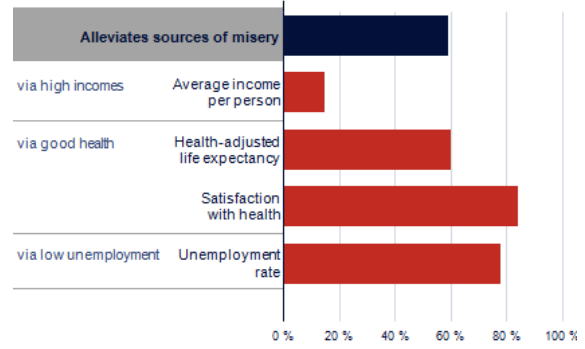
### ECONOMIC COMPETITIVENESS: SCORECARD



### COMPARATIVE LIVEABILITY: SCORECARD



All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



**References:**

<sup>9, w</sup> See [www.prosperity.com/references.aspx](http://www.prosperity.com/references.aspx) for further details including date of survey, sample size, and margin of error.