



**Original Article**

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# Investigating Socioeconomic Challenges of Iran During Sanctions

Maryam Sha'bani<sup>1</sup>, Hojat Mahkoei<sup>2</sup>, Elahe Ghorbani<sup>3</sup>

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**ABSTRACT:** Socio-economic development and, generally, all aspects of development in a country, is the main and structural component of achieving development goals in very country. Based on its human and territory structure, Iran is recognized as a highly civilized country with a rich government history. Respecting the current status of most countries based on which being developed is considered as a success factor, Iran also tries to follow this path. But, what is governing the political, economic and social sphere is different and challenging. Because of various international sanctions during recent years Iran has faced undesirable socio-economic status associated with a great deal of different challenges influencing employment, inflation and depression, immigration, and marriage. The present paper employs descriptive – analytical methodology to explore economic challenges in Iran leading to more severe situations under sanctions. Findings indicate that an increase in unemployment rate, human capital flight, globalization and challenge with global economy are among the most important effective factors on Iran's socioeconomic status. Results show that Iran has suppressed economic growth, high rates of unemployment and unfavourable demographic components now.

**KEYWORDS:** Social Capital, Human Capital Flight, Population, Unemployment, Iran, Sanctions.

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<sup>1</sup> PhD in political geography, Islamic Azad University of Iran, Research and Science Unit of Tehran. Iran

<sup>2</sup> PhD in political geography, Islamic Azad University of Iran, Research and Science Unit of Tehran. Iran

<sup>3</sup> Master in educational research, Islamic Azad University, Marvdasht Branch. Iran

## 1. INTRODUCTION

Most law experts believe that over- resolution and unilateral sanctions contradict the UN Charter since governments and nations abandoned their competency in maintaining international peace and security to the Security Council by developing the UN. Hence, unilateral actions of some governments disrupt international general disciplines (Consult, 2012, p.31). International sanctions adopted by the UN against Iran, supported by many powerful countries of the world, have led to unfavourable socioeconomic status of which people are dissatisfied. Indeed, economic sanction represents pressure by the international community on a certain countries or a group of nations. According to international relationships liberalists and respecting interdependencies among actors in different international areas such as economic, cultural, etc., economic sanction impairs significantly the economy of the target nation and this is accompanied by considerable costs including increased prices, more unemployment rate, reduced economic growth rate, decreased national incomes and threatened social welfare (Christopher Hill, 2007:259).

Iranian society possesses unique demographic features. Ethnic – cultural diversification, having young, literal and burgess people against high unemployment rate results in complicated human resources problems and ultimately turns into a main challenge in future years. Around 50% of Iran's population is composed of ethnic groups a significant part of which feel excluded and deprived while having families and relatives abroad. Therefore, globalization increases the pressure on national identity through weakening national governments and intensifying awareness and ethnic groups is also considered as a fundamental challenge for Iranian inclusive identity. Young population activates the generations' gap, especially because of education and awareness differences, and the procedure is expected to progress in future. Estimations revealed that even with the most successful population control policies, no significant reduction will be achieved in the ratio of below-25-years population. Increased education and public awareness is a main component of national strength; but it is considered as a challenge for the government with minimized opportunities because of inefficient education system and weak coverage of higher education. Moreover, the high rate of unemployment and urbanism should not be neglected. Unemployment increases in cities with enhanced urban population so that 700,000 individuals are annually added to the active and job-seeking population. However, official statistics indicate that employment rate is less than half of the above figure. In 1999, the share of expert human labor among employees of the whole country was only 9.6, which is significantly far from the official standard of 20% (Khalili, 2005). As a developing country and as the 29th biggest economy of the world (Smith, 2011) besides having rich energy resources, Iran is presently facing socioeconomic challenges affecting all levels social life.

Hence, the present situation (sanctions) and mismanagement observed in various sections altogether result in considerable challenges for the economy which is the main component of social capital development. The present paper aims to investigate socioeconomic challenges in Iran the most portions of which may originate from mismanagement leading economic growth to zero and negative rates. Unemployment is dominant and inflation and price increase mainly influence people's purchasing power and degrade their savings.

## 2. LITERATURE REVIEW

Ziaei Bigdeli, Gholami and Tahmasebi Boldaji (2009) examined the effect of economic sanctions on Iran's mutual business with 30 partners during the period 1973 – 2007 employing generalized attraction model with Panel Data methodology. Results indicate that sanctions have a negative but small influence on Iran's business with its partners.

In a paper titled "Social analysis of human capital flight" Gholipoor and Hesam (2008) investigated the phenomenon of immigration and human capital flight. Using models such as deprivation theory, center – periphery theory and globalization of economy and culture they

found that immigration of elites leads to ambiguous aspects, waste of scientific capacities, joining certain political and thinking paths, reinforcement of industrial communities, etc.

Kahrhaze and Nikpoor (2014) examined the impact of global sanctions on Iran's exports to member countries of three business associations (ECO, OPES, ASEAN) from 1992 to 2013 through business attraction approach based upon attraction model employing Panel Data and OLS method. Results showed that sanction strategy negatively affects Iran's exports to member countries of OPEC but no significant impact was observed on its exports to ECO and ASEAN member countries.

Derakhshan and Toghiani (2014) used Analytical Hierarchy Process (AHP) method to study the effect of sanctions on Iran and identify scientific and experimental guidelines of standing against the sanctions and prioritize them. Findings suggested that introducing 6 factors (presented by researchers) into economic development plans may lead to a strong construct for Iranian economy to face sanctions. Besides, it is demonstrated that the 6 factors can highly control and limit shocks and fluctuations originating from sanctions and, ultimately, result in political and economic stability.

Alexander (2009) discussed policies and regulations concerning sanctions. He presented a comprehensive history of previous sanctions in the world and their objectives while analyzing them in terms of politics and international law. He also analyzed sanctions on multinational companies and intervention of international institutions.

In a research on available markets for graduates of higher education Soori and Keyhani Hekmat (2005) described job opportunities and unemployment rate faced by individuals graduating from universities and other higher education institutes. Results suggest that unemployment rate of higher education graduates increased considerably from 1997 to 2004.

Ahmadi (2008) performed a research on corruption, discrimination and poverty as main obstacles of development in Iran. He found that challenge against corruption requires national determination, public willingness and severity of government since investigations have shown that administrative corruption in intermediate and lower levels is highly related to corruption in higher levels.

### **3. THEORETICAL FRAMEWORK**

#### **3.1. Population growth and its effect on socioeconomic status**

Respecting the vital importance of human population growth methods should be developed to predict future population variations and determine its growth rate. One of the simplest ways is to calculate twofold time. In this case, twofold time can be estimated by dividing 70 to annual growth rate (per cent). For example, during 1980s, population of the US had an approximate annual growth of 0.9%. The twofold time of 78 years is achieved by dividing 70 to 0.9. Iran's population growth rate is 1.5. Dividing 70 to 1.5 results in 47 and this is the number of years required for Iranian population to be twofold. Hence, twofold time (the time required for the population to be twofold) is obtained by dividing 70 to growth rate  $x$  in a certain year. This figure is used to predict population growth in future (Bootkin and Clair, 2003).

Population growth increases urbanism. An increase in urban population elevates the need to energy. Metropolises play an important role in as main cities in developing countries. With increased urbanism the cities "require huge resources and impose considerable stress in the environment. They also enhance social abnormalities. In 2000, 75% of population of Latin American countries lived in urban areas while this figure was 73 – 77% for European and Northern American countries. Another challenging issue is population distribution in recent decades, i.e. tendency of population to be concentrated in a 100 km distance form beaches, while these regions compose only 22% of residential lands" (Laurie et al, 2007).. The study of

relations between environmental tensions and globalization and relationships between environmental stresses and these process is currently increasing (Dalby, 2006).

As more people tend to urbanism and immigration from villages to cities and from cities to cities, unemployment and poverty increase. Although it difficult to accurately estimate unemployment and poverty rate in cities of developing countries, 10 to 20% of the population of most poor countries is unemployed. Discussing poverty in African cities Potts (1995) mentions the role of IMF and its structure-mediated plans. He declares that these plans have terminated real income of many African citizens. He believes that urban development has decreased in some African countries. Unemployment is a serious problem resulting in threats such as urban unrest, losing human resources valuable for the economy and social and environmental problems. Potter and Loyd (1998) describe four main characteristics of unemployment in urban areas as follows:

- 1-In urban areas of developing countries labor increases by 2% annually and this may lead to population growth and immigration to cities;
- 2-Immigration from rural areas to urban regions imposes excessive pressure on the process adaptation with such problems and ultimately leads to emergence of informal economic section in most cities;
- 3-There is a close relationship between unemployment level and unequal income distribution;
- 4-Job opportunities are formed in cities based on their extended role in national and international economy (Hooder, 2007).

Moreover, increased population widens the gap between the rich and the poor. This is while 257 billionaires of the world have incomes equal to those of whole Chinese and Indonesian people. In America, 50% of the lower level people own only 8% of the national wealth while the upper 10% possess 27% of income and 49% of total wealth (Moyer, 2000). Surprisingly, the value of net wealth of 358 richest individuals of the world in 1996 equalled aggregate income of 45% of the poorest individuals of the world, i.e. 2.3 billion people. In 1998, assets of three highest level billionaires of the world were higher than aggregate GDP of all poor countries (Harvey, 2007). According to available statistics, around 2 billion people of the world live in poverty and this means that about one third of world population is poor. Poverty is always associated with unemployment, malnutrition, illiteracy and low level of women, environmental dangers and limited access to social and health care services. In addition, it is closely related to improper population distribution, instable use and unequal distribution of natural resources (land, water, etc.) and serious degradation of the environment. In the field of stable development, economic growth should be a necessary factor of poverty eradication which, in turn, slows population growth and helps rapid achievement of population stabilization (Poorahmad, 2006).

### **3.2. The United States and economic sanctions against Iran**

Imposing economic sanctions is a part of American policies. The US makes use of economic sanctions as a tool to change political behaviour of target countries (Eekhout, 2011:501-502). To change policies of the target country is a main objective of sanction but other goals such as enhancing human rights, fighting against terrorism; preventing dissemination of mass destruction weapons and developing instability aiming at political reform are also considered (Kerver, 2014). A review on the history of economic sanctions reveals that since 1990, following dissolution of the Soviet Union and the end of Cold War, application of economic sanctions has highly increased with American government having the highest share in it. Form the World War I to 1990 (during a period of 75 years) a total number of 115 economic sanctions were approved and imposed on various countries which equal an average of 1.5 sanctions annually. But, a sharp increase is observed in number of economic sanction since 1990.



American government has always had the highest share in imposing economic sanctions. In sum, around two third of all global sanctions are imposed by this country. It is noteworthy that the US's share in global economic sanctions increased after dissolution of the Soviet Union and the end of Cold War. During 1918 – 1990 the government was responsible for 77 of 115 economic sanction of the world, i.e. 67% of total sanctions. During the period between 1990 and 1999 the share of the US in global sanctions increased to 92%. Only in the first course of Bill Clinton's presidency imposed 61% economic sanctions on 35 countries with total population of 2.3 billion people (42% of world population) and 790 billion-dollar exports (19% of world exports). Diversified objective of the sanctions included preventing human rights violation (22 cases), fighting against international terrorism (14 cases), non-proliferation of nuclear weapons (9 cases), supporting labor rights (6 cases), sustaining the environment (3 cases) and preventing expansion of domestic struggles and local wars (7 cases).

### **3.2.1. Economic sanctions imposed on Iran by the US**

Since the Islamic Revolution of 1978 in Iran the White House has approved and issued 9 Rules and 16 Sentences concerning sanction against it. The sanctions passed through three steps: the first step started in 1979 in response to hostage in American embassy and Iran's support from regional extremist groups and ended in 1995 (Jentleson, 2007:8). The second step was from 1995 to 2006 aiming at weakening Iran by targeting oil and gas industries and preventing Iran from access to missile and nuclear technologies. Finally, the third step was from 2006 to 2010 because of concerns on Iran's nuclear program. The sanctions targeted all economic paths of Iran (Ilias, 2010:3). Imposed sanctions of the US on Iran can be classified into 6 main periods each of which has its specific features: 1- hostage period (1979 – 1981); 2- Iran – Iraq war period (1981 – 1988); 3- reconstruction period (1989 – 1992); 4- President Clinton's period, mutual control (1993 – 2001); 5- after September 11th, 2001; 6- Resolution of the Security Council.

The first economic sanction of the US against Iran was issued in 1980 in response to hostage at American embassy. Based on the sanction, the US cancelled the sales contract of hundreds of millions military equipment (a contract signed in the era of Mohammad Reza Pahlavi), forbade selling military equipment to Iran, confiscated around 12 billion dollars assets of Iranian government in the US and forbade all business transactions between the two countries. Moreover, the American government stopped all diplomatic relations with Iran. Consequently, some other countries including European Union and Japan joined the US and forbade selling military equipment and paying loans to Iran while suppressing oil purchase. The sanction was cancelled on January 19th, 1981 following abandonment of American hostages but a considerable portion of Iran's assets was not withdrew because of claims of American companies. Despite sanction cancellation, political and economic relations between the two countries were still affected. With the commencement of Iran – Iraq war, Reagan's government organized a wide range of economic sanctions against Iran the main objective of which was to prevent selling military equipment to Iran and prohibit its success in the war. After the war ended in 1988 and the beginning of reconstruction period, sanctions remained stable but the intellectual atmosphere governing relations between Iran and the US started to improve. Accordingly, along with American actions, based on decision made by the EU in January 2012, European countries cannot have any new oil contract with Iran. On the other hand, there was another sanction called "swift" (bank sanction) imposed on Iran by the EU in March 2012 aiming at prohibiting foreign companies and financial institutes from transacting with (and transferring money to) Iranian central bank or any financial institute (Camallonga and Lismary, 2012:1-5). In next sanctions, the EU prevented any type of financial, insurance and reliability insurance support on investment on import, purchase or transport Iranian petroleum, oil and petrochemical products (Haak and Michael, 2012:1-2).



## 4. METHODOLOGY

The present research used descriptive – analytical method based on content analysis approach. It should be explained that in descriptive research the researcher seeks the quality of a subject including data collection to answer questions concerning the present status of the case being studied. The present research used this method beside library resources and Internet data to investigate socioeconomic challenges in Iran during sanctions. The challenges have led to deficiencies in different areas in Iran.

## 5. FINDINGS

### 5.1. Influences of population growth and immigration in Iran

According to censuses performed in different periods, Iran's population grew from 34 million in 1976 to 75 million in 2011. At present, the government has spent 60 billion dollars of oil changing and instable income on country's current budget to be able to govern and manage the country. Other aspects accompanying population growth include demand for free education, dwelling, health care services, food subsidy, employment, etc. each of which is followed by certain economic consequences. Some consequences of population growth on the environment and national security are as follows:

Iran sold around 720 billion US\$ oil in global markets during three decades (1988 – 2008). If the whole amount of this 30-year oil income was invested in a big financial market (e.g. London, New York), now Iran would have an asset of 2 trillion dollars and its annual income was 200 billion dollars. The goal of presenting these figures is to identify structural problems limiting attraction of this national wealth (Rohani, 2011).

Although geographical distribution and spread of population in Iran represents a combination of disharmonic nuclear – point distribution along the country, but cannot give a best help in providing security and comprehensive development.

In terms of homogeneity or heterogeneity and respecting concentrated political, administrative, cultural and economic structure, Iran's population is more considered as a big threat to national security instead of acting as a factor of cultural enrichment (because of opportunities and appropriate conditions abroad which attract most ethnic groups toward external space). Therefore, this leads to a reduction in country's geopolitical weight. Even, elevated province-to-province immigration which owns a complete center – periphery state does not anticipate a good future for development and national security. Since continuity of this procedure has gathered and concentrated various micro cultures and interests in the center of Iran. In such circumstances, incidence of difference among various cultures is not unlikely.

Existence of Iranian micro-cultures together in the center may lead to sudden motivation of local identities which have not grown due to concentrated political, administrative, cultural and economic structure. Of course, the opposite is also true; i.e. aggregation of various micro-cultures in the center may lead to closer integration of various Iranian groups (Hafeznia et al, 2009).

Table 1: Prediction of Iran's population based on age groups from 2011 to 2021 (unit of thousand individuals)

Year	Below 15 years old	15–64 years old	5–6 years old or higher	15–29 years old
2011	17880176	53728	3789	25042
2014	1850017	55626	3966	24222
2016	18989	56729	4166	20779
2021	19606	59182	5170	17714

Source: Rohani, 2011



Table 2: Prediction of population growth in Iran until 2050

Populati on of	Population in 2010 (million individuals)	Year 2025		Year 2050	
		Population estimation	Percentage of change proportionate to 2010	Population estimation	Percentage of change proportionate to 2010
Iran	75078	87134	16.06	96975	29.17

Source: Ghribi, 2011

According to demographic assessments if the age of life expectancy and population growth in Iran are considered to be 75 years and 1.5%, respectively, the population of this country will be 107 million people at the end of 20-year perspective of which 14.7% (i.e. 15,500,000 people) are elders and old people. This means that the old population is going to be threefold during 20 years (2006 – 2026). Based in scientific resources of demography aging phenomenon occurs when 8% of the population are 65 years old or higher or 12% of the population are 60 or higher (Gheysarian, 2009). Respecting employment quality and literacy level, although the population is better than the global average, but the status is not satisfactory as a whole. Among 13 neighbouring countries, Iranian population's literacy level is higher than only 6 countries. As the table shows, population structure is not balanced during few next decades. The chart of Iran's population structure indicates a reduction in active population in a near future. In general, except indications of population quantity, local satisfaction and, consequently, Iranian nationalism and, to some extent, cultural values accepted by people no other dimension (such as geographical distribution of population, its homogeneity or heterogeneity, population construct, employment quality, literacy level and immigration, especially locally) may not have a positive and valuable role in Iran's geopolitical weight, whereas in Iranian political philosophy, people not only play a vital and central role in survival of the country but also are considered as a fully integrated unit (Hafezania et al, 2009).

More than two third of jobs generated since the 1978 Revolution were public sections. More than 80% of university graduates are working in state jobs. Iran is a representative of all regional signs on increased unemployment of semi-educated young people. so scholars and analysts believe that more than half of Iran's population lives in poverty. The growth rate of GDP must be 6.7 to provide for new jobs and entrance of new labor. In this way only unemployment increase can be prevented. Iranian economy still fails to achieve this. These failures should be evaluated with enhancement of food consumption per capita in urban areas, reduction in rural – urban income gaps, an increase in rate of registration in schools, increased literacy (especially in women), reduced fertilization and decreased children and new-born mortality. Shared poverty is a well-known feature of Iran. During the last decade, income gaps developed for three reasons: emergence of friendship-based capitalism, emergency and cautious reform during presidency of Mr. Rafsanjani, very expensive subsidy system (around 15 – 20% of the GPD) 78% of which belongs to urban areas and multi-priced currency system expanding corruption bases (Bayaman, 2007).

The acceleration of population growth and its reflection in cultural, social and economic construct of communities is a problem faced by many countries including Iran. In national level, population growth increase without any improvement in producing and generating sections may decrease per capita GPD, investment, savings and increase unemployment. All these factors together intensify socioeconomic and, consequently, environmental problems. Disharmonic and rapid growth of the population, irrespective of diversified climatic growth and resources distribution inside the country, is a main element in incidence of problems such as lack of urban services, deficient skeletal per capita, informal and marginal residence, vulnerability of residents in various regions, occurrence of ethnic contradictions and social abnormalities (Zamani, 2009).

Based on a report by WHO (World Health Organization) in 2006, the average life span of men and women in Iran is 68 and 73 years, respectively. Accordingly, the likelihood of death in ages between 15 and 60 is 11% and 18% for women and men, respectively. Of 1000 kids below 5 years of age, 36 ones die. Moreover, from every 1000 infants (new-born) 31 cannot survive. The report states 2 people from every 100,000 die because of AIDS. There is a doctor for every 1100 individuals and 17 hospital beds for every 10,000 people. 77% of Iranian adults are literate and around 89% of children enter elementary school. About 5% of the population makes use of the Internet. According to UNESCO, Iran ranked 136 among 176 countries in terms of illiteracy. Based on the same source, around 8,100,000 individuals are illiterate in Iran (Rezaei, 2008). Other statistics suggest that there are around 9,700,000 illiterate and 10,000,000 slightly-literate individuals in Iran.

Table 3 shows that average real expenditures of every household (with constant costs of 1995) has decreased from 7.24 million RIs in 1998 to 6.50 million RIs in 2006. A comparison on real costs of rural and urban households indicates that during 1988 – 2006 rural families had lower incomes than urban ones and adopted policies helped more increase urban income than rural one. Furthermore, comparing ratio of real costs of every rural family to an urban one during mentioned years reveals that the ratio has reduced from 41.8% in 1988 to 30.8% in 2006 suggesting extended income gap between rural and urban families in those years. The table also shows that expenditure ratio of every rural family to every urban one had a 30 – 50% fluctuation. So that the expenditure (income) difference represents a permanent difference between economic conditions of rural and urban areas which is considered as a main reason of immigration to cities (Rohani, 2011).

Table 3: Status of relative poverty and income distribution in Iran from 1975 to 2006

Year	Income ratio of 10% of rich to 10% of the poor	Gini coefficient	Year	Income ratio of 10% of rich to 10% of the poor	Gini coefficient
1354	33/8	/5020	1370	16/3	/3996
1355	31/4	/4805	1371	15/9	/3870
1356	34/7	/4584	1372	16	/3976
1357	19/6	/4360	1373	15/7	/3993
1358	26/6	/4618	1374	16/1	/4074
1359	17/9	/3984	1375	14/5	/3910
1360	22/2	/4410	1376	15/7	/4029
1361	33/8	/5020	1377	14/2	/3965
1362	25/5	/4540	1378	15/4	/4009
1363	18/5	/4043	1379	15	/3991
1364	16/1	/3910	1380	14/4	/3985
1365	17	/3944	1381	16/9	4191
1366	17/4	/4038	1382	16/2	/4156
1367	17/3	/4043	1383	14/6	/3996
1368	17/6	/4092	1384	14/5	/4010
1369	15/9	/3969	1385	14/9	/4004

Source: Rohani, 1390



Table 4: Gross cost of urban and rural households in the years 1385- 1367

Average gross cost	Urban million Rial(76-100)			Rural million Rial(76-100)			Fixed ratio of rural to urban
	Year	Going	Fixed	Growth	going	fixed	
1367	1/8	12/41	-	1/05	7/24	-	41/8
1368	2/08	12/16	-2/01	11/3	7/66	5/62	44/4
1369	2/29	12/33	8/06	1/62	6/23	14/94	50
1370	3/05	13/65	10/7	1/93	8/62	2/88	46/9
1371	3/98	14/27	4/43	2/3	8/49	-2/34	46
1372	4/84	14/11	-1/8	2/78	8/10	-3/67	44/8
1373	6/56	14/17	0/41	4	8/64	-0/91	44/3
1374	9/41	13/60	-4/2	6/09	8/80	0/35	44/4
1375	11/78	13/83	1/68	7/15	8/39	-7/32	42/25
1376	14/02	14/02	1/40	8/67	8/67	2/39	42/3
1377	17/5	14/82	5/69	11/05	9/36	-4/9	38/03
1378	21/79	15/37	3/70	13/96	9/84	3/89	38/19
1379	25/3	15/84	3/09	15/94	9/98	-3/71	35/5
1380	29/44	16/55	4/46	17/54	9/86	-4/28	32/6
1381	36/3	17/62	6/48	21/79	10/86	5/64	30/8
1382	42/49	17/85	1/23	26/14	5/67	4/41	31/4
1383	53/3	19/42	8/85	34/4	6/59	16/22	29/6
1384	62/05	20/17	3/89	38/52	6/58	-0/1	29/7
1385	70/06	20/06	-0/63	42/71	6/50	1/22	30/8
The average growth rate of period	-	-	2/85	-	-	1/55	-

Source: Rohani, 1390

Table 5: high 20% cost ratio to low 20% cost ratio in Iran's urban and rural areas  
During 1385- 1367

Year	Rural				Urban			
Decile	1367	1375	1381	1385	1367	1375	1381	1385
High 20% to low population ratio	32/24	13/89	9/48	9/49	13/04	8/41	7/93	8/33

## 5.2. Brain drain in Iran

The brain drain phenomenon has been started as a social harm in the mid-twentieth century in Iran; the International Monetary Fund report (IMF) indicates that among the 91 developing countries in the world in terms of brain drain, Iran is the first one(Rohani, 2011). Immigration office of the U.S.A statics show that for over a century (1925- 1820) No Iranian name is registered as an immigrant to America; but from the beginning of 18th century to the beginning of 20th century among the 66,089,431 who has immigrated to the U.S.A from 50 different Countries, 245,407 people were Iranian. According to International Monetary Fund (IMF) report, Iran, with 105 thousand educated among the elite college educated immigrants in America, after China and India, with 265 thousand and 258 thousand people, is in the third ranking(Fallahi, 2008).



Annually, 150 thousand to 180 thousand Iranians are trying to migrate for different reasons. According to reports, 220 thousand academic people have left Iran for the West in 2000. More than 80 per cent of the winners of Olympiads of the recent years and superiors in entrance exam, have been attracted by foreign universities especially in America and most of them have no idea of returning to the country. In addition, 90 out of 125 of talented people of the country, it means 72 per cent of those who have earned the rank of international Olympiads in recent years are studying at universities in America currently and their return hope to the country is low. Among 4,300 students who have gone abroad to continue their education in the years 1985 until 1994, 12% still have not returned to the country. Also from 1990 to 1998, 151 faculty members have left the country and have not returned yet. In 2000, on average 15 people with master's degrees and 2/3 people with doctorate degrees, have left the country every day. 92% of global Olympics medallists have gone abroad during the past two decades. America's saving educational expenses was about 10 billion and 500 million dollars in this field while Iran has lost \$ 38 billion in this regard (brain drain). According output statics of passport office in 2008, an average of 15 MSc, 3/2 PhD and totally 5475 persons in BA have left the country every day. If we estimate third World countries Investment with a fixed rate of 1971 and 1972 at least 20 thousand dollars to develop the manpower that will be sent to America, and if we consider the number of experts at least 200 thousand Iranians in America, damage and economic and training costs of these forces, will be estimated about 4 billion dollars. it means our country has lost this amount of capital, economically. (Rohani,2011) doctor Mohammad Humayun sepehr, the university professor states that: If a country needs a lot of thought forces, it certainly must maintain these assets. Of course, in a country like India where the population is [more than a billion] people, the risk is lower, because different people can be found in different fields among one billion people, In fact, there is enough manpower. But in a country like Iran, with the population of over 75 million people, specialized manpower is needed in all cases and elite Immigration can have catastrophic dimensions. (Fallahi, 2008).

### **5.2.1. Some of the reasons for brain drain in Iran**

#### **1. Lack of appropriate and efficient research atmosphere in Iran**

According to the statistics, Iran only participates in 12 per cent of research activities and papers yearly. As to the statistics declared by the head of national center of medical sciences research, 62.3 per cent of assistant professors, and 71.4 per cent of associate professors of medical sciences do not compile any book, and 20 per cent of associate professors of medical sciences take less than 4 hours a week gathering required information. Furthermore, due to inattention to research findings and inadequacy of enough budget allotment to research centers, therefore, it can be expected to have less efficient research and serious measures.

#### **2. Weakness of economic system and improper use of experts**

As to the lack of required and effective investment on different sectors of economy and few job prospects for educated people and generally low economic capacity of the country to for recruitment, a lot of people do not have the opportunity to show their abilities and talents in society. Hence, they should involve in unemployment or start immigration depending on the provision of the conditions.

#### **3. Inability to create new educational conditions for all candidates**

In spite of the fact that government took some measures in terms of providing suitable conditions particularly in higher education of the country in the past, capacity of educational system and higher education of the country is in a way that there are some people who cannot take advantage of being involved in education. For example, almost three thousand students are studying in various universities of Emirates in different educational degrees. It is interesting to note that countries such as Armenia, Tajikistan, and Azerbaijan that sent students to Iran for education, some Iranian students applied for these universities for continuing their education.



#### **4. Economic structure and interest management of the country**

In the structure of interest economy, those managers who are looking for profit-seeking opportunities consist of a large group of people, while the number of managers who are interested in investment and creating new job conditions are few. Hence, creative and entrepreneur managers stop working in favour of profit-seeking managers leading to immigration of qualified managers.

#### **5. Unemployment**

Iran is one of the youngest countries of the world, that two out of three of its population i.e. 45 million people are under 25 years of age, and each year a large group of people (almost one million) start working in the market and most of them include graduate students. Government has estimated that to overcome unemployment, 750 thousand new job prospects should be provided annually, and it can optimistically prepare 400 thousand job prospects in a year (Rouhani, 2011).

##### **5.3 Poverty and injustice and its role in the developmental process of Iran**

Development experts unanimously concurred that poverty and injustice are the main obstacles of social and economic development. If initial steps are not taken to eradicate the conditions of poverty and injustice, the developmental process will be stopped and the society will face increasing crisis. Unequal distribution of revenues and wealth in society is an important barrier for comprehensive development to take place. The process of economic programming should be in a way that all people be able to participate in economic competitions based on their own skills and abilities. One of the main responsibilities of the government is to create motivation and provide creativity and innovation for the people of the society. However, it should be noted that equal distribution of revenues can actually result in provision of occupational activities. On the other hand, free supply of services cause demotivation and reduction of people's activities in society (Rezaei, 2009), and developmental process encounters some problems and challenges. Poverty and injustice cannot inevitably be eradicated if economic growth is completely supported, and this support will not take place if economic limitations are solved, economic liberalization is increased, monopoly and factors of monopolization are removed, corruption (bribery and embezzlement), inefficient allotment of resources, nepotism, weak management, and governmental inefficiency are controlled, population growth is harnessed, domestic investment is encouraged by supporting policies, rules of facilitating domestic investment are prepared and invitation of Iranian investors out of Iran is emphasized, and efficiency in social security system is established. According to the official statistics of 1987, almost 20 million people lived in intense conditions of poverty. As to the housing index, 21.1 million of the country population were too poor, and based on the nutrition index; 22.7 million people (46 per cent of the population) were exposed to food poverty. Moreover, according to the reports of minister of health in 1997 and first half of 1998, 30 per cent of the whole population (21.1 million people) was deprived of food availability. As to the report of the fifth congress of nutrition of Iran in September, 1998, one in four children (nine million) suffers from malnutrition, one in six women (five million) catches anemia caused by iron deficiency, and one in six born babies dies as a result of poverty (Ahmadi, 2009). Poverty and destruction of environment has the following consequences in Iran:

1. Destroying agriculture and animal husbandry, 2. Rural immigration 3. Irregular population growth, and 5. Hunger.

##### **5.4 Domestic market and unemployment in Iran**

Lack of balance in economic markets is mainly one of the challenges of national security. But, threats caused by labor market imbalance are challenging for national security due to the role of human factor in its supply and demand in relation to other main economic markets including

markets of money, investment, and goods. Therefore, solving the problem of unemployment is one of the defined priorities of different countries. According to the statistical center of Iran, it reveals that the unemployment rate of country has been increased from 9.1 to 12.75 per cent during 1990s to 2000s. The concern is intensified with this awareness that young adults and particularly young women and graduates face unemployment. As to the statistics of labor force in 2007, it was revealed that unemployment rate in age group ranging from 20-24 years old equalled 30.2 per cent for urban areas, 25.7 per cent for men, and 45 per cent for women. Regarding the statistics of experts and university graduates, it was also found that employment rate increased from 4 per cent in 1997 to 21.6 per cent in 2005. Based on the report of ILO, ranking of Iran in terms of unemployment rate was announced as 13 among 13 countries in 2007. Due to the significance of this issue and necessity of balancing labor market and reducing unemployment rate as an important challenge in national security of Islamic Republic of Iran, it is required to reflectively look into the market developments. It has been predicted that during the fifth development plan, active population of country increases with a growth equivalent to 3.3 per cent from 27 million and 218 thousand people in 2012 to 30 million and 962 thousand people in 2015. Hence, labor supply increases from 847 thousand people to one million people during this period. In order to respond to such labor supply, it has been predicted that on average 11.2 per cent of investment will be increased and one million and one hundred new job opportunities will be created in a year (Rouhani, 2012).

Table 6. Labor market developments and growth resources in fifth development plan (Rouhani, 2012)

Index	Fifth plan		2008	Average of fifth development plan
	2012	2015		
Active population (thousand people)	27218	30962	24277	3.3
New labor supply (thousand people)	847	1000	710	918
Unemployed population (thousand people)	3212	2167	2598	.6

Table 7. Imbalance in labor market in 2000 (thousand people)

Education level	Labor supply	Labor demand		Number of unemployed		Unemployment rate (%)	
		1	2	1	2	1	2
Illiterate	3783	3616	3465	167	318	4.4	8.4
Pre diploma	9042	8883	8512	159	530	1.8	5.9
Diploma	8784	6449	6371	2135	2413	24.3	27.4
Higher education	3440	3286	3148	154	292	4.5	8.5
Higher education	4391	3904	3741	487	650	11	14.8
Total	26000	23052	22090	2948	3910	11.3	15

Column 1 is the employment rate based on assessment plan in 2010; column 2 is based on third plan document.

\*Demand for the expert according to the option of lower limit (occurrence of structural development) - \*\* Demand for the expert according to the option of higher limit (knowledge-based economy) (Rouhani, 2012).

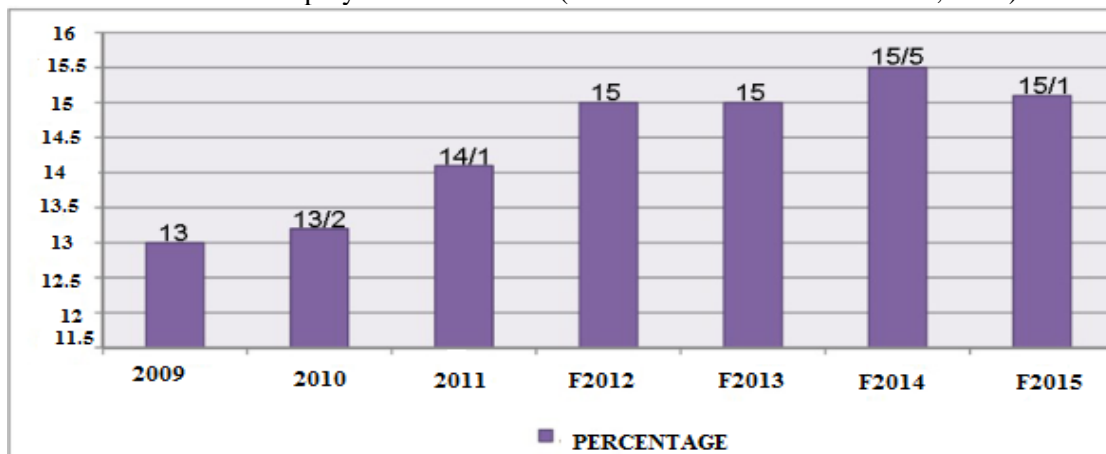
Table 8. The role of educational degree in number of the unemployed (Rouhani, 2012)

Year \ Educational degree	1997	2005	2010
Illiterate	19.3	8.7	5.7
Pre diploma	57.7	8.3	5.4
Diploma	19.1	61.3	72.4
Higher education	4	21.6	16.5
Number of the unemployed (thousand people)	1456	2074	2974

Table 9. Distribution of whole employment to the separation of the expert in different sectors (one thousand people) (Rouhani, 2012)

Topic \ Year	1989	1997	2000	2005	2010
Whole unemployment	111035.9	14571.5	16210.7	19527.9	23051.7
Employed in public sector	3454.5	4257.9	4649	5178.7	5725
Employed in private sector	7117.4	9794.2	10984	13651.6	16501
Employment of the expert	497.3	1402.6	1521	2237	3904.8
Ratio of the expert to whole employed (percent)	4.5	9.6	9.4	11.2	1711.3
Ratio of the expert to whole employed in public sector (percent)	11.7	26.6	23.1	24.1	2824.1
Ratio of the expert to whole employed in private sector (percent)	0.1	2.2	3.6	6.4	136.1

Chart 1. Unemployment rate in Iran (Yazdani & Nozari Garmekhahi, 2014)





### 5.5 Iran and challenge with world economy

Economic challenges of Iran facing world economy is due to our society inconsistency with the process of globalization in one hand, and lead to dominance of world economy on national and regional policies in the future on the other. Iran's economy is not compatible with the process of globalization due to government-based economy of country, dominance of traditional attitudes and behaviours, existence of a sort of vacuum or inadequacy in economic thought and management, and insufficiency of suitable legal context to be in line with world economy. Commercial environment of Iran demands development and change. Hence, issues and challenges that the Iranian government is to face in order to attend the world economy include reliance on export products especially raw materials, lack of costing system, low productivity and being incompatible with replacement plans of money and credits with coins and bills (paper money). (Khalili, 2006). There are three approaches to evaluate the economic integration of one country into world economy:

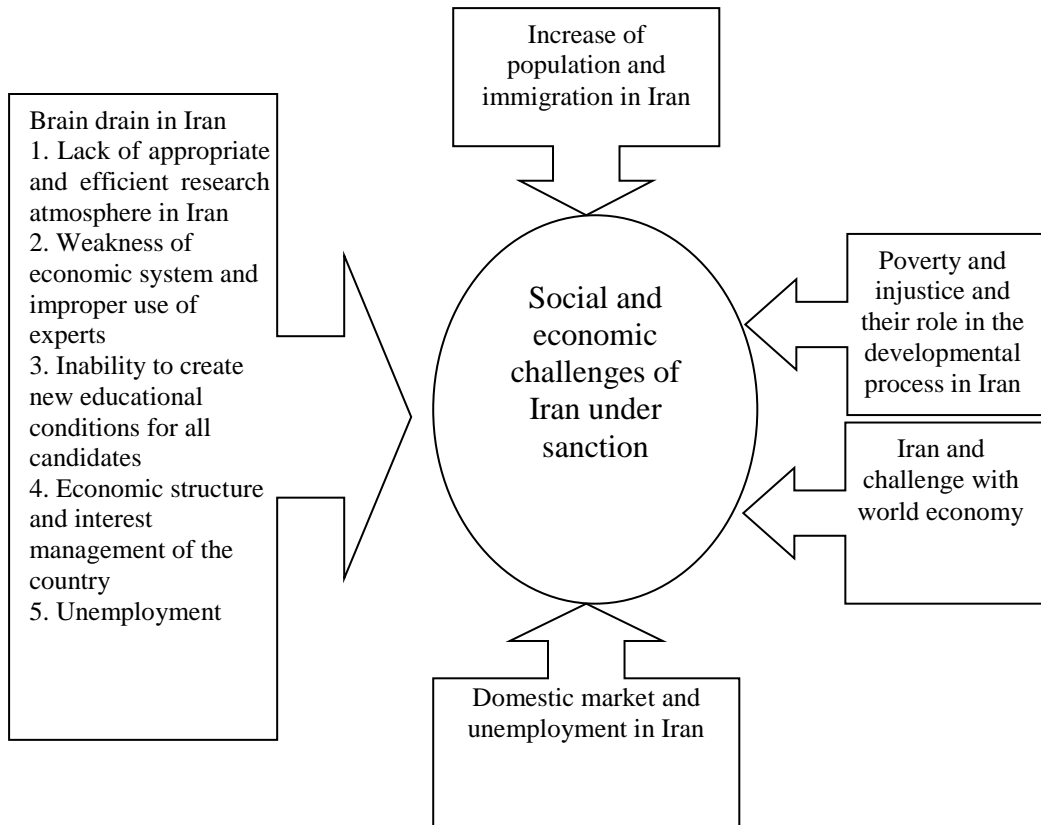
- Evaluation of institution convergence level or harmony among countries
- Focusing on different directions of international processes in comparison with the domestic ones
- Evaluation of integration results based on approaching the prices and services together

Convergence with domestic economic institutions harmony of the country reduces the obstacles of trans-boundary economic process. Because of different reasons in Iran, it has not been highly expected to achieve optimal conditions. As to the relatedness of performance indices of Iran's economy to integration with world economy, it should be said that:

1. Ratio of business growth to the growth of gross domestic product in the country is much less than the world economy. One of the reasons is the low value of domestic products trading and reliance on oil industry as the main source of county's economy. International sanctions intensification and sanction by West played an important role as well.
2. As to the foreign investment, Iran performed too weak. From 1991 to 1996, Iran has annually been able to raise funds up to 47 million dollars, and the country's foreign investment reached 39.7 million dollars during 1997 to 2001. However, according to this perspective that it is aimed to reach the first place in terms of economy in the area, the annual average of economic index in Iran is very low, considering this fact that for countries like Turkey and Saudi Arabia the indices were 8700 million dollars and 8300 million dollars in the tenth period, respectively.
3. Ranking of Iran in terms of performance index of economic freedom was too low and not less than 112 from 1998 to 2009 so that the ranking of the mentioned index was 168 in 2009. Despite the suitable potential of Iran to succeed in achieving FDI with the ranking of 59 to 61 (from 2005 to 2007), it is revealed that there exists some considerable disorders in terms of political structures of the country.

Iran is facing a sort of dichotomy treatment in the phenomenon of globalization. Because, the young generation is interested in communication and the enlightenment atmosphere dominating the country does not pay attention to their beliefs disregarding the consequences, which finally leads to theorization in one hand. On the other, there is a kind of challenge with traditional and prejudiced overt and covert oppositions of a certain group of people who are supported by some structural components of the country in three dimensions of economy, politics, and culture. Therefore, impulsive and reactive policies and reformative measures seeking change in the above-mentioned dimensions in one hand, and incompatibility of these reforms with the structural features of the country in three areas of economy, politics, and culture on the other, not only caused the loss of interests as a result of being in contact with the world economy and its supporters, but also we are frequently imposed to pay the costs of this structural refusal to be in line with the suggested patterns or the so called imposed features of the world (Rouhani, 2012).

Chart 2. Social and economic challenges of Iran under sanction



## 6. DISCUSSION AND CONCLUSION

Islamic Republic of Iran, as a regime of cultural-ideological background, faces serious and a lot of challenges with respect to the impulsive cultural changes and facing west liberalism globalization. Religious-ideological cultural of Iran is idealistic and it is linked to future, and it has been based in a long historical background as well. If the country's idealism leads to unattainable wish or fantasy and its historical background causes negligence of future, challenges of this powerful national element will dominate its opportunities. On the other hand, if future is in line with philosophy and thought and future and historical reflection link together, it can hopefully result in promising future leading to take the best of opportunities. Globalization challenges dominated our country since the statesmen's approach toward it is of ambiguity. Iran is involved in paradoxes dealing with globalization; it aims to internationalize the developments of communications and at the same time worries the marginalization of politics and economy; the country tends to join this phenomenon but it is concerned about its consequences; although it is powerful in productivity and thoughtfulness, it cannot compete with developed countries. These considerations have resulted in a period of anxiety for the country (Khalili, 2006).

In comparison with countries, such as Mexico, Brazil, or even Turkey that it may be close to Iran, it can be revealed that we have been rolling back. Reviewing historical events in Iran, it was in the kingdom of Shah Abbas Safavi I that the country underwent economic developments as it is shown in the following table that comparing the money value of Iran and Britain can acknowledge this sort of development. However, the question is what has happened leading to cessation of this process, and Iran has been considered as a third world country and later as a



developing country. Sometimes it has been said that exploitation played an important role, but it is of value to note that there seems to be because of the inefficiency of the kings or leaders of these countries in the past, which, in fact, they did not use their power and thought in its best form and caused misuse of valuable resources of these countries by western countries; if the kings of Qajar and Pahlavi made their best use of the existing resources and did not take cruel actions to kill Amir Kabir or to transfer the power from this person to another, and if appropriate employment of knowledgeable and elite people is made in the present time instead of brain drain since a lot of money is spent on education to reach higher education degree, has it been the same situation again?

In Iran, the ratio of household expenses to fixed prices shows living standard and welfare. Because a family that spends more money on the required items according to the fixed price, benefits from more services and products, which demands an exceptional amount of higher income. However, statistical data sampling are not free of any errors. As Table 5 shows, average annual expenditure of each family in urban areas in relation to fixed price of 1997 increased from 12.41 million Rials in 1988 to 20.06 million Rials in 2007, and the average annual growth rate equalled 2.85 per cent. Average annual expenditure of each family has been in fluctuation in different years as families of urban areas faced the reduction of actual cost due to the growth of inflation in 1994 and 1996 in the sense that the actual cost of each urban family had the reduction of -4.02 per cent in 1996. Therefore, if actual cost of each family was considered as an alternative index approaching their actual income, it can be said that the average actual income of each family living in urban areas increased although the rate of its growth was not that remarkable.

The most important challenge Iran is faced with in political-law field is caused by the effect of globalization on the concepts of country-nation and national sovereignty. The consistency of Iran has been dependent on international and regional policies and it is also related to the acceptance of the concept of country-nation. As to the developments caused by globalization, not only have international policies been changed, but the modern government is also unable to assume responsibilities as before. Hence, protection of territorial integrity and national sovereignty has faced fundamental challenges in 21st century due to the intensification of important phenomena, such as ethnicity, justice, and gender and the macro-management system of the society in line with current policies could not find appropriate answer for them. Unity and national integration seems to be difficult issues regarding the heterogeneous population of Iran, unbalanced development, and regional disparities. The importance of the above-mentioned issue is doubled concerning incomplete implementation of national integration policy, transition risks, national governments weakening and awareness rising of ethnic groups as a result of globalization, communications revolution, and finally how Iran is to be in relationship with creating an international regime (Khalili, 2006).

In today's world, the main discourse is based on economics-politics. Economic factor has influenced the whole or most of relationships and processes. A country which participates in this discourse is to face development and is subsequently more well-known and successful. Economic conditions of Iran have not been so desirable because of international sanctions imposed on the country. According to news sources and country officials, economic growth has reached below zero or negative in recent years, in a way that after passing more than one year of the eleventh government, economic growth has had negative value as -2.2; oil sale, which was the main source of revenues, has been low under sanctions; and inflation and increase of commodity prices have also been observed during this period. As to the researchers of the present research, it seems that the existing social-economic challenges are caused by management weakness affecting administrative structure. Concerning sanctions and economic crisis in the country, all people should get ready and country benefits from the existing human resources whereas brain drain is happening in Iran, unemployment increases, and the country is faced with inflation and economic downturn. However, it should be noted that the revenues



from oil and gas have been a lot in recent years and even equivalent to the previous decades in which the country encountered no sanction. This extra revenue could somewhat facilitate the sanction conditions. Hence, population status and growth in line with immigration are proposed as major problems, and Iran's economy is facing the challenge of globalization and world economy.

## **7. PRACTICAL SUGGESTIONS**

Finally, the following suggestions deserve attention:

1. Permanent and strict monitoring of head managers in different levels and more important organizations of the country.
2. Benefitting from knowledgeable people and the elite and the expert in different fields.
3. Preventing from unprofessional comments and implementation of false and unrelated preferences linked to a special group of the society.
4. Attempting to reach cultural development in small cities to lessen the structural impact of thoughtless ethnic decisions, which is sometimes proposed in election.
5. Trying to enforce rules in organizations and preventing form nepotism done by some managers of governmental or non-governmental systems.

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## **ETHICAL CONSIDERATION**

Authenticity of the texts, honesty and fidelity has been observed.

## **AUTHOR CONTRIBUTIONS**

Planning and writing of the manuscript was done by the authors.

## **CONFLICT OF INTEREST**

Author/s confirmed no conflict of interest.

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