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Resistive Economy in Iran: Challenges and Prospects

Alireza Kaab^{1*}, Faramand Hashemizadeh², Alireza Varnaseri³

*1 * Ph.D, Financial Expert, Masjed Soleyman Petrochemical Company, Khuzestan, Iran. (Corresponding Author)*

Email: alirezakaab@yahoo.com

2 Ph.D, Advisor to CEO, Masjed Soleyman Petrochemical Company, Khuzestan, Iran.

3 Ph.D, Member of Iranian Parliament, Tehran, Iran.

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ABSTRACT: Resistive economy is a term refers to circumvent the sanctions against a country or region experiencing sanctions. Generally, resistive economy means replacing local inputs for imported inputs and an increase in barter trade, but in Iran's economy it has more extensive dimensions. The term resistive economy is declared by Iran's supreme leader ayatollah Khamenei in august 2012 to overcome the barriers in economic development. The aim of the current study is to investigate this proposed economic model and its various dimensions and also its implementation in Islamic republic of Iran. The method of research is empirical which tests the feasibility of solution using empirical evidences based on the statistical applications. The results of the study show implementation of resistive economy despite of remarkable achievements in oil, gas and petrochemicals failed in other various segments. Additionally, mismanagement in distribution of foreign currencies is another issue in implementation of resistive economy in Iran.

KEYWORDS: Resistive Economy, Ayatollah Khamenei, Economic Sanctions, Financial Reforms

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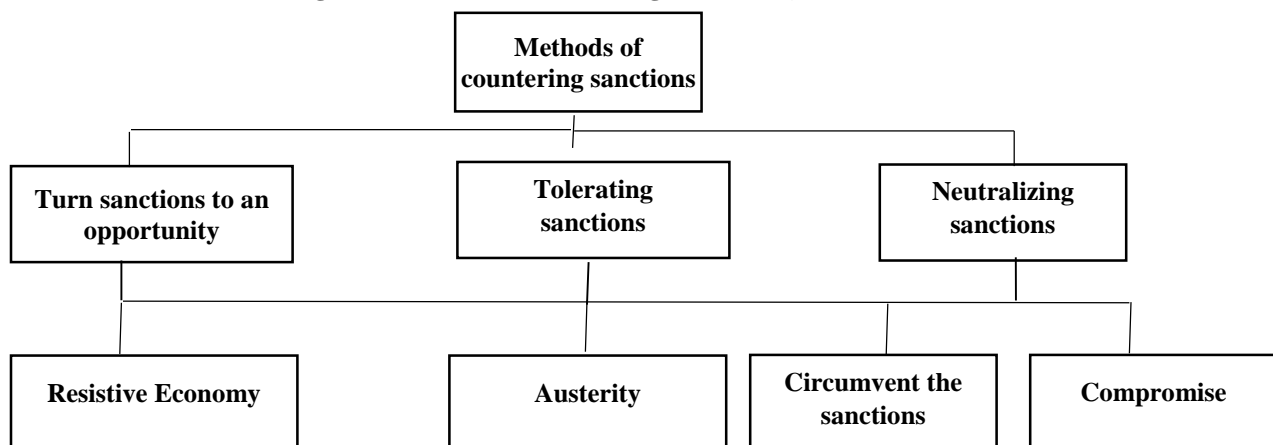
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1. INTRODUCTION

In last decades governments resorted to economic sanctions. Using economic sanctions for political purposes is not a new phenomenon. Iran is a nation that experienced most brutal economic sanctions due to political purposes in last decades. The first sets of sanctions were formed immediately after the Islamic Revolution by suspension of 12 billion dollar of Iran’s assets in USA. Only few countries in the world witnessed such a comprehensive sanction in their economies. Islamic republic of Iran is the only nation that engineered the sanctions and introduced an economic plan to overcome the prohibitions. Since Iran located in a very strategic region, and also plays a vital role in regional and international strategies, thus always been targeted by western countries.

Resistive economy is a term refers to circumvent sanctions against a country or region experiencing sanctions. Generally, resistive economy means replacing local inputs for imported inputs and an increase in barter trade, but in Iran’s economy it has more extensive dimensions. The term resistive economy is declared by Iran’s supreme leader ayatollah Khamenei in august 2012 to overcome the barriers in economic development. Islamic republic of Iran faced many difficulties over the past decades, From the Islamic revolution to imposed war by former Iraqi regime, and economic recession due to imposed sanctions by western countries. Sanctions always have been challenging issue that Iran’s economy encountered with. These economic and trade sanctions by USA and its coalition caused emergence of a new term, called “Resistive Economy”, which have extensive dimensions. The functionality and effectiveness of resistive economy depends largely on the extent of its inclusiveness and the measures implemented by the government. Resistive economy is an economic model, which provides growth and prosperity for a nation, even in conditions of pressure and sanctions (*Seif Lu, 2014*). Iran’s supreme leader ayatollah Khamenei in recent years emphasized proper and precise implementation of resistive economy components and requested the government and all organizations to move forward in accordance to resistive economy policies in order to achieve economic objectives. Most significant components of resistive economy in Iran determined by the supreme leader are as follows: economic management, economic strategies, economic goals, cultural infrastructures, social infrastructures, knowledge-based economy, Economic justice, infrastructure for realization of national production and resistive levers. Improvements in consumption pattern.

Figure 1: Methods of countering sanctions (Mombeini 2012)





Necessity of Resistive Economy Implementation

Today, the global economy is changing dramatically. The economic models and frameworks play a vital role in economic efficiency and prosperity. Economic development requires specific measures, particularly in countries experiencing sanctions. Resistive economy is a new economic model introduced to overcome the barriers in economic development due to imposed sanctions. In order to have sustainable economic development several measures determined by the government and some of them are as follows:

- Consumption of domestic goods
- Reducing dependency on oil revenues
- Fight against economic corruption
- Business policy reform
- Redistribution of wealth based on poverty reduction models
- Reconstruction of monetary system.

Given above mentioned terms resistive economy is a long-term economic system through which sustainable economic development can be achieved and also it will diminish economic dependency.

2. LITERATURE REVIEW

Aliahmadi.A, Najafi.H, in a study entitled philosophy, necessity and main strategies of resistive economy, investigated challenges and solutions of resistive economy. They concluded the framework of resistive economy should be consisted the following: improving the consumption pattern of people and the government, incentives to purchase domestic goods, popularizing the economy, redefining trade relations based on national interests, cost reduction approach, reducing dependency of budget on oil revenues.

Bagheri.A, Mousavi.M, in a study entitled resistive economy conceptology and explanation of its role and position in post-prohibition period, investigated concepts and theoretical foundations of resistive economy. They pointed out, one of the most significant barriers in implementation of resistive economy in Iran is lack of specific model to managing the economy. In a study entitled the impact of sanctions on the economy of Iran, Majidi.A, Zarouni.Z, concluded implementation of whole aspects of resistive economy is a cost-consuming and also will lead to increased inflation. Jalali.sh, Sloleymani.M, examined the role of resistive economy in a study entitled, resistance economy in international law, they have concluded Proper strategies to deal with sanctions and their effects, creating a resistance economy, creating trade agreements with organizations and institutions, especially at the regional level, and internal efficiencies to increase internal capacity can turn threats into opportunities. In a study conducted by Torabzadeh.M, Sajadiyeh.A, Samiyie.M, entitled, investigating dimensions and components of resistive economy of the Islamic republic of Iran, concluded that Resistive economy is a move towards designing an Islamic-economic model within the framework of the Islamic-Iranian model of long-term progress. Khandouzi.M, in a study entitled critique on performance of resistive economy policy in Iran, pointed out, most significant and cross-sectoral objectives such as employment, poverty alleviation, increasing productivity, fighting corruption, etc. have no clear trustee in the Iranian economy. Ahmadian.M et al, studied economic situation of Iran in a survey entitled, measuring the degree of economic complexity in Iran, in order to realization of resistive economy. They have concluded that the knowledge-based economy maximizes the resilience of countries in facing of sanctions as well as economic and political pressures. In a study entitled, resistive economy as one of the components of Iran's cultural diplomacy in sanctions time, Tootoonchian .M, Afshar. I, concluded, improving economic behaviors and methods, eliminating corruption, reducing dependence on oil in the economy, applying the Islamic lifestyle under economic program are significant points to achieve resistive



economy objectives. Sharifi.M et al, examined the policies of resistive economy in a study entitled, Analysis of resistive economy policies with an entrepreneurial approach, they have indicated a resistance economy involves reducing dependencies and insisting on the benefits of domestic production and striving for self-reliance. Mousapour.M, Zareimatin.H, Yazdani.H, examined various factors of resistive economy and also presented a comprehensive model for resistive economy in a study entitled, A comprehensive model for resistance economy based on the operations and information management in Iran, they have concluded the following points should be considered in implementation of resistive economy, Developing an appropriate mechanism for identifying and sorting out priorities aimed at optimizing the allocation of the limited resources available, Identifying and introducing the executive barriers, and rules and regulation contradicting the resistance economy policy in an attempt to ameliorate and improve the situation, Ameliorating the structure of the education system in order to train efficient and effective workforce for the realization of resistance economy, Developing the skills and capabilities of individuals according to the needs of the country. Keshavarzi. A, Fathi.S, conducted a study to investigate implementation of resistive economy in Iran, Resistive Economy, turning the sanctions to opportunity, they have concluded that Prioritization of agriculture sector and production of strategic items by using grounds, resources and internal capitals is one of the most significant factors in implementation of resistive economy policies.

3. METHODOLOGY

The method of research is empirical which tests the feasibility of solution using empirical evidences based on the statistical applications. The study made use of both secondary and primary data. The secondary data were collected from published articles, websites, journals, and other validate material. Primary data have been collected from the professionally qualified managers, former high ranked authorities such as members of Iranian parliament (majlis), CEOs of government companies, university principals and lecturers, members of local councils. Statistical population consisted of 50 respondents. The respondents at different levels are selected purposively from those who have a service period of more than 15 years. Structured interview schedules have been used to obtain primary data. Simple statistical and mathematical tools like percentages, mean and ranking methods are used for analysis of data.

Resistive economy is aimed to improve economic structure in tune with the global benchmark, which is necessary for economic growth. Implementation of such a broad economic system requires intense cooperation between all private and public sectors. Unfortunately, resistive economy policies in Iran have not been implemented properly yet. There are many issues and difficulties to implementation of such a broad and complicated economic plan. Hence, the current study aims to investigate the barriers in implementation of resistive economy plans. The following are the objectives set for the study:

1. To study the extent of implementation of resistive economy in Iran.
2. To investigate barriers in implementation of resistive economy in Iran.

4. FINDING

Part A: Analysis on Socio Economic variables:

1. Gender

The proportion between male and female of the sample respondents selected for the study are given in Table 1.

Table 1: Gender wise Classification

Gender		No of response	Percent
Valid	Male	39	78.0
	Female	11	22.0
	Total	50	100.0

2. Age

Another important personal profile variable is the age of respondents. It also have an impact on determining the efficiency in implementation of resistive economy particularly in knowledge-based companies and institutions. The age wise classification of respondents is shown in Table 2.

Table2: Agewise Classification

Age		No of response	Percent
Valid	Below 40	11	22.0
	40-50	25	50.0
	Above 50	14	28.0
	Total	50	100.0

3. Educational Qualifications

Education is knowledge and this knowledge increases the skill, maturity and potential of the managers and concerned authorities. So, the information is collected of respondents are depicted in Table3.

Table3: Educational Qualification

Qualification		No of response	Percent
Valid	Professional	28	56.0
	Nonprofessional	22	44.0
	Total	50	100.0

4. Experience

The experience is yet another variable taken for analysis and the collected data are recorded in Table4.

Table4. Professional Experience

Professional Experience		No of response	Percent
Valid	15-20 Years	6	12.0
	20-30 Years	14	28.0
	30-40 Years	11	22.0
	Above 50 Years	19	38.0
	Total	50	100.0

Table5: opinions on implementation of resistive economy in Iran



	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	
	No - percent	No - percent	No - percent	No - percent	No - percent	No - percent	Mean
1. How would you evaluate implementation of RE in Iran?	18 (36.0)	9 (18.0)	2 (4.0)	11 (22.0)	10 (20.0)	50 (100)	54
2. Any steps have been taken by public and private companies in order to achieve RE goals?	15 (30.0)	8 (16.0)	1 (2.0)	18 (36.0)	8 (16.0)	50 (100)	58
3. How do you evaluate developments in petrochemical industry since it is one of the most significant components of RE?	3 (6.0)	2 (4.0)	0 (0.0)	13 (26.0)	32 (64.0)	50 (100)	88
4. Is national production supported by the government?	20 (40.0)	15 (30.0)	0 (0.0)	8 (16.0)	7 (14.0)	50 (100)	47
5. Whether financial resources and foreign exchange resources well managed by the government?	32 (64.0)	8 (16.0)	1 (2.0)	5 (10.0)	4 (8.0)	50 (100)	36

All responses about implementation of resistive economy in Iran summarized in table5. in which 18 respondents representing 36 percent of the total respondents indicated that resistive economy in Iran has not been implemented properly. 18 respondents, 36 percent believed that private and public companies in Iran operating in accordance of resistive economy framework, The average mean level of satisfaction recorded in this case is 58. The majority of respondents, 32 persons 64 percent declared that Iran’s economy in recent years witnessed development in petrochemical industry. The average mean level of satisfaction recorded in this case is 88 percent. 20 of the respondents, 40 percent believed that the government has not supported domestic producers. The average mean level of satisfaction recorded in this case is 47 per cent. In addition, 32 respondents, 64 percent declared that the government has not managed its financial resources in recent years. The average mean level of satisfaction recorded in this case is only 36 percent.

Table 6: barriers in proper implementation of resistive economy?

Lack of serious reforms in financial and banking system		Lack of comprehensive provisions to attract foreign capital		Lack of import-export management		Lack of cooperation among government organizations to overcome sanctions		Lack of a comprehensive economic plan		Total	
No	per cent	No	per cent	No	per cent	No	per cent	No	per cent	No	per cent
12	24.0per cent	10	20.0per cent	5	10.0per cent	8	16.0per cent	15	30.0per cent	50	100.0per cent

Table7: Rank of Responses

Lack of a comprehensive economic plan		Lack of serious reforms in financial and banking system		Lack of comprehensive provisions to attract foreign capital		Lack of cooperation among government organizations to overcome sanctions		Lack of import-export management	
Rank	per cent	Rank	per cent	Rank	per cent	Rank	per cent	Rank	per cent
1	30	2	24	3	20	4	16	5	10

It is seen from table 7 that first ranked variable by respondents (30 per cent) is the lack of a comprehensive economic plan, second rank one is lack of serious reforms in financial and banking system (24 per cent of the respondents), third ranked one is Lack of comprehensive provisions to attract foreign capital (20 percent of respondents) , fourth ranked variable is lack of cooperation among government organizations to overcome sanctions (16 percent) and fifth ranked one is lack of import-export management (10 percent).

5. CONCLUSION AND SUGGESTIONS

Economic development requires specific measures, particularly in countries experiencing sanctions. The Current study has been conducted to investigate implementation of resistive economy which is emphasized by the Iran’s leader Seyed Ali Khamenei. The results of the study show implementation of resistive economy despite of remarkable achievements in oil, gas and petrochemicals failed in other various segments. As indicated in table 1.7, Lack of a comprehensive economic plan, Lack of serious reforms in financial and banking system, Lack of comprehensive provisions to attract foreign capital, Lack of cooperation among government organizations to overcome sanctions and Lack of import-export management are the most important barriers in implementation of resistive economy in Iran. Mismanagement in distribution of foreign currencies such as USD, EUR, AED, CNY, to unqualified companies and individuals by central bank of Iran in recent years is another issue which requires fundamental reforms in banking and financial system. One of the most significant components of resistive economy undoubtedly is support of national production, unfortunately the government has not made significant contributions to industry in recent years. Given the results of the current study and also field observations of economic situation, resistive economy in Iran still has a mountain to climb.



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AUTHOR (S) BIOSKETCHES

***Alireza Kaab**

Ph.D, Financial Expert, Masjed Soleyman Petrochemical Company, Khuzestan, Iran. alirezakaab@yahoo.com

Faramand Hashemizadeh

Ph.D, Advisor to CEO, Masjed Soleyman Petrochemical Company, Khuzestan, Iran. F.hashemi@yahoo.com

Alireza Varnaseri

Ph.D, Member of Iranian Parliament, Tehran, Iran. a.varnaseri@yahoo.com



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CONFLICT OF INTEREST

Author/s confirmed no conflict of interest.