

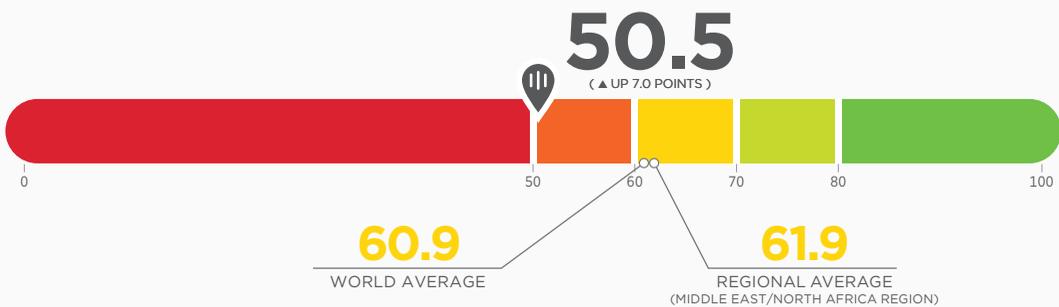
# IRAN

Iran's intrusive state and institutional shortcomings continue to hold back more broadly based economic development. Deriving most of its revenue from the oil sector, the state owns and directly operates numerous enterprises and indirectly controls many companies affiliated with the security forces. The rule of law remains vulnerable to political interference and oppression.

The private sector is largely marginalized by the restrictive regulatory environment and government inefficiency and mismanagement. Modest efforts to enhance the business climate have occasionally been undone to maintain the status quo. The repressive climate stifles innovation.

WORLD RANK: **155** REGIONAL RANK: **13**  
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

## ECONOMIC FREEDOM SCORE



**NOTABLE SUCCESSES:**  
None

**CONCERNS:**  
Rule of Law, Financial Freedom, and Investment Freedom

**OVERALL SCORE CHANGE SINCE 2013:**  
+7.3

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
79.0 million

**GDP (PPP):**  
\$1.4 trillion  
0.0% growth in 2015  
5-year compound annual growth -0.1%  
\$17,251 per capita

**UNEMPLOYMENT:**  
10.5%

**INFLATION (CPI):**  
12.0%

**FDI INFLOW:**  
\$2.1 billion

**PUBLIC DEBT:** 17.1% of GDP

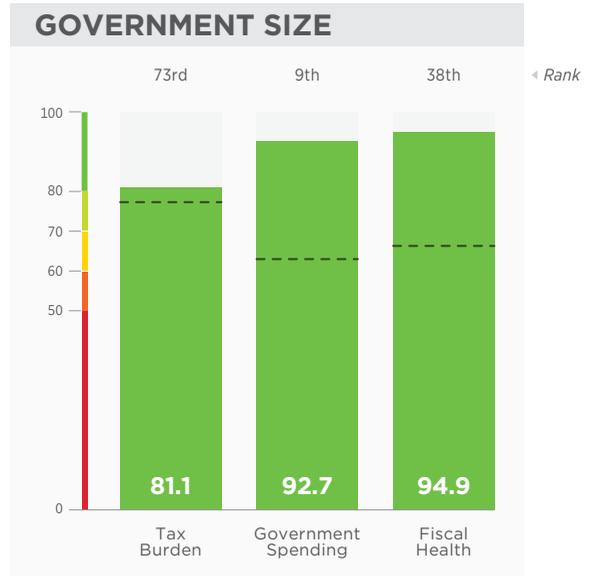
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** After the pro-Western shah was overthrown in 1979, radical Islamic forces established a theocratic government with religious authorities holding the most power. The president, who has limited powers, is elected every four years by popular vote in a process controlled by hard-line clerics who veto candidates that threaten the regime. Current President Hassan Rouhani, elected in 2013 as a pragmatist, has tried to steer a less confrontational path in dealing with foreign powers. Iran has the world's second-largest reserves of natural gas and fourth-largest reserves of crude oil. The relaxation of sanctions and reintegration into the international economy as a result of the July 2015 nuclear agreement are expected to bolster foreign investment and increase trade.

# 12 ECONOMIC FREEDOMS | IRAN



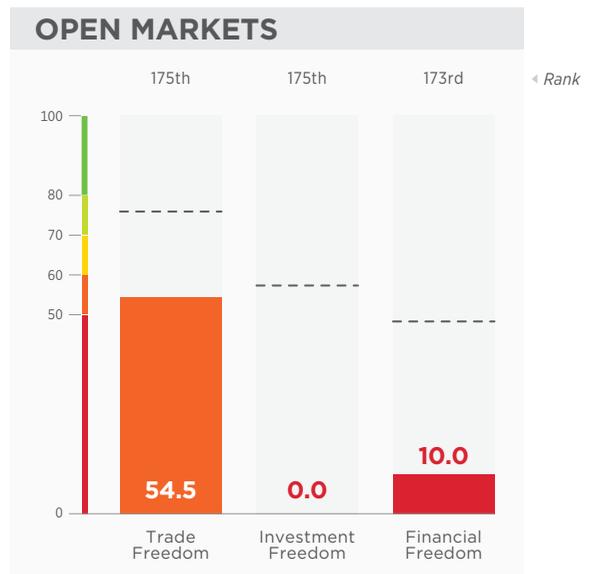
The government has confiscated property belonging to religious minorities. The judicial system is not independent; the supreme leader directly appoints the head of the judiciary, who in turn appoints senior judges. Corruption is pervasive. The hard-line clerical establishment has gained great wealth through control of tax-exempt foundations that dominate many economic sectors.



The top personal income tax rate is 35 percent. The top corporate tax rate is 25 percent. All property transfers are subject to a standard tax. The overall tax burden equals 6.4 percent of total domestic income. Government spending of tax and oil revenue has amounted to 15.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.7 percent of GDP. Public debt is equivalent to 17.1 percent of GDP.



The restrictive regulatory environment, exacerbated by the state's economic planning process and excessive bureaucracy, continues to hamper private investment and production. Labor regulations are restrictive, and the labor market remains stagnant. Price controls and subsidies that date from the early years of the Islamic Revolution have been reduced in scope in recent years.



Trade is moderately important to Iran's economy; the value of exports and imports taken together equals 43 percent of GDP. The average applied tariff rate is 15.2 percent. International sanctions and domestic barriers limit foreign investment. Stringent government controls limit access to financing for businesses. State-owned commercial banks and specialized financial institutions account for a majority of banking-sector assets.