

EXPORT ADMINISTRATION ANNUAL REPORT

U.S. DEPARTMENT OF COMMERCE

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4. Economic Impact on U.S. Industry.

Iran. Iran's economy consists of a mixture of large state-owned enterprises, small-scale service and trading firms, and agricultural enterprises organized at the village level. Although the Iranian Government has recently taken steps to decentralize the economy, the pace of change has been slow because of significant political opposition to a more open economy. Iran experienced a surge in imports during the early 1990s (e.g., imports in 1992 totaled \$23.7 billion). The recent increase in imports, coupled with the government's financial mismanagement, has produced economic difficulties for Iran. At the end of 1993, Iran's foreign debt **had** reached nearly \$30 billion, with payments almost \$8 billion in arrears. To make matters worse, Iran's earnings from oil exports, which account for approximately 90 percent of Iran's export revenues, have been hurt by declining oil prices. Other economic indicators also show signs of a troubled economy. In 1994, for example, Iran had an unemployment rate exceeding 30 percent and a consumer price inflation rate that hovered around 35 percent.

From 1991 through 1994, U.S. exports to Iran totaled almost \$2.2 billion (total derived from U.S. Census data), making the U.S. the sixth largest exporter (by dollar value) to Iran during this period. U.S. exports to Iran rose sharply in the early 1990s after Iran lifted certain import restrictions. From a total of only \$166 million in 1990, U.S. exports to Iran increased to \$522 million in 1991 and rose to \$744 million in 1992. U.S. exports to Iran during 1993 dropped slightly to \$613 million. In 1994, however, U.S. exports to Iran declined sharply to \$326 million as the license denial policy mandated by the National Defense Authorization Act (NDAA) of FY 1993 began to make a significant impact on U.S. trade with Iran. U.S. exports to Iran fell even further (to \$277 million) in 1995 when the U.S. imposed a total trade embargo against Iran.

The passage of the NDAA of FY 1993 appears to have resulted in a decline in U.S. exports to Iran of between \$200 million and \$300 million per year. Total U.S. exports to Iran averaged \$626 million per year from 1991 through 1993, but only \$302 million per year for 1994 and 1995. Much of this decline is obviously due to the fact that Commerce, in accordance with the provisions of the NDAA of FY 1993, did not approve any applications for Iran in Fiscal Years 1995 or 1996. In the four previous fiscal years (i.e., FY 1991-94) Commerce approved an average of \$177 million in applications to Iran each year. Table 1 clearly shows the significant impact of the NDAA of FY 1993.

Table 1: Approved Applications to Iran (FY 1991-96)

Fiscal Year	Number of Applications	Total Value in U.S. Dollars
1991	89	\$ 60,149,182
1992	131	\$567,559,528
1993	44	\$ 63,834,952

Fiscal Year	Number of Applications	Total Value in U.S. Dollars
1994	10	\$ 16,774,377
1995	0	\$0
1996	0	\$0

Data are also available on the effects of the total trade embargo that was imposed against Iran in 1995. Of the \$277 million in U.S. exports (not on the Commerce Control List) to Iran during 1995, almost \$223 million occurred during the first six months of the year, prior to the imposition of the embargo. In addition, U.S. exports (not on the Commerce Control List) to Iran during the first half of 1996 totaled only \$0.3 million. The result of the 1995 embargo, therefore, appears to have been an additional decline in trade with Iran of more than \$200 million per year. Together, the NDAA of FY 1993 and the 1995 U.S. embargo have caused U.S. trade with Iran to decline by more than \$500 million per year. However, even in 1992 when exports to Iran were high, these exports comprised only 17% of total U.S. exports worldwide. In 1995 that percentage dropped to .05% of total U.S. exports worldwide.

Table 2 lists the leading categories of items that were exported from the U.S. to Iran during the years 1991 through 1995 (1995 data available from 1/95 through 11/95 only). These categories provide at least a general indication of which U.S. economic sectors were most heavily affected by the NDAA of FY 1993 and the 1995 U.S. embargo against Iran.

Table 2: Top U.S. Exports to Iran (1991-1995)

U.S.I.C. Number	Description of Goods	Total Value U.S. dollars
3511	Turbines & turbine generator sets	\$322.5 million
3531	Construction machinery & parts	\$307.8 million
3533	Oil & gas field equipment	\$250.1 million
2044	Milled rice & byproducts	\$166.3 million
0115	Corn	\$137.4 million
2873	Nitrogenous fertilizers	\$124.2 million
3714	Motor vehicle parts & accessories	\$ 50.8 million

S.L.C. Number	Description. of Goods	Total Value .S. dollars
2821	Plastics materials & resins	\$ 45.4 million
3743	Railroad equipment & parts	\$ 42.7 million
3569	General industrial machinery & equipment	\$ 41.8 million
3571	Electronic computers	\$ 33.1 million

The data in Table 2 indicate that the impact of the embargo on agricultural and oil industry sectors are expected to be among the hardest hit. However, U.S. exports of the categories of items listed in Table 2 totaled roughly \$1.52 billion for the period from 1991 through 1995. This amount represents approximately 0.06% of U.S. exports worldwide.

At the time the U.S. embargo on Iran took effect, U.S. companies had received nearly \$200 million worth of orders for oil equipment from Iranian oil companies -- these orders can no longer be filled because of the embargo.¹⁰ The embargo is also expected to hurt U.S. corn and rice growers. U.S. rice exports to Iran in 1995 were expected to reach 200,000 metric tons, worth nearly \$75 million, and corn exports were expected to reach almost 750,000 tons during the same year. In 1993, U.S. exports of rice to Iran (which totaled nearly \$60 million) represented over 8 percent of total U.S. rice exports that year. In 1992, U.S. exports of oil and gas equipment to Iran (which totaled \$123 million) represented over 3 percent of total U.S. oil and gas equipment exports for the year.

According to foreign trade statistics available from the United Nations, the leading exporters to Iran among the world's major industrial nations from 1990 through 1994 (the most recent period for which such data are available) include the following countries (listed in descending order according to their total exports to Iran from 1990-94): Germany, Japan, Italy, France, the United Kingdom, the United States, Turkey, South Korea, the Netherlands, Belgium/Luxembourg, and Sweden. The United States was the sixth largest exporter to Iran during this period, with exports of nearly \$2.4 billion, but this was only 5% of the total amount of Iran's imports. The other ten countries exported more than \$48 billion in goods to Iran from 1990 through 1994. Table 3, below, lists the leading categories of goods exported to Iran by the other major industrial nations (excluding the U.S.). These categories contain roughly 70 percent of the goods exported from the major industrial nations (excluding the U.S.) to Iran during this period.

Table 3: Top Exports to Iran by Major Industrial Nations(1990-94)

S.I.T.C.	Description of Goods	Total Value (U.S. dollars)
74	General industrial machinery & equipment	\$5.83 billion
78	Road vehicles	\$5.34 billion
72	Machinery specialized for particular applications	\$4.93 billion
67	Iron & steel	\$4.37 billion
77	Electrical machinery	\$3.64 billion
71	Power generating machinery	\$3.08 billion
76	Telecommunications, sound recording & reproduction equipment	\$1.93 billion
69	Manufactures of metals	\$1.54 billion
73	Metalworking machinery	\$1.52 billion
87	Professional scientific & control instruments	\$1.39 billion
75	Office & automated data processing machines	\$0.49 billion

A comparison of the top foreign exports to Iran (as shown in Table 3) with the list of the top U.S. exports to Iran (as shown in Table 2) indicates that the U.S. has been in direct competition with Iran's other major trading partners in such areas as general industrial machinery, motor vehicles and motor vehicle parts, power generating machinery, measuring and controlling devices, and electronic computers. This is also true of other categories of items not listed in Table 3, such as plastics and resins, transportation equipment, and industrial organic chemicals.

Syria. Syria's economy is dominated by state-owned and operated enterprises. In the 1960s, the government pursued policies designed to expand the public sector and imposed tight controls on private sector activities. All large industries, including the banking and insurance sectors, were nationalized. During the 1980s, the country suffered from a severe foreign exchange shortage that was aggravated by a sharp decline in aid from other Gulf states. A severe drought in 1989-90 placed even greater strain on the economy by forcing the government to allow