

A review of the importance of non-oil exports in Iran's sanctions condition

¹ Bahareh Ahmadinejad, ² Salar Ahmadinejad

¹ Department of Management, Azad University (IAU), Qazvin Branch Qazvin, Iran

² Department of Management, Kharazmi University, MBA Tehran, Iran

Abstract

After Russia and Saudi Arabia, Iran is the third largest oil exporter in the world (3.9 MB/d). This reliance on oil and monetization in this way has led to the lack of attention to the other dimensions of the product sector. In other words, non-oil industries in Iran did not grow in the export process. This reliance on petroleum industries has created a state of weakness in Iranian industries. This weakness in the long term will make the Iranian industry dependent on the industries of other countries in the Persian Gulf region and with the price fluctuations, Iran's major revenues fluctuate. Despite sanctions against of Iran, the importance of product development, compounded. To reduce this dependence, the government should pay special attention to non-oil infrastructure. This paper attempts to provide a conceptual model for product development at the right time and the right place.

Keywords: sanction, lateral thinking, non-oil product, export

1. Introduction

The studies show that a unilateral embargo by the "Small Coalition" hardly effect on Iran's economy. Iran suffers more than the global economy and is the single most affected country (17% GDP contraction). On 23 January 2012 EU foreign ministers decided to ban new contracts to import oil and petroleum products 2012 as part of a diplomatic strategy for raising the cost of Iran's defiance of the international community over its nuclear program. From Iran and to end existing contracts by 1 July 2012 as part of a diplomatic strategy aimed at raising the cost of Iran's defiance of the international community over its nuclear program. Other countries such as the US are also preparing to sanction Iran's crude oil exports^[1]. There is no doubt that the current situation in Iran in such a way that it was described in a normal position. In this regard, economic management requires special considerations to maximum benefit and minimum harm to the people and nations. Iran three decades ago, faced with international sanctions, based on the experience of the past seven years, is expected to tighten sanctions ring, too. Accordingly, to reduce dependence on oil revenues is emphasized. Now that Iran has faced forced by declining oil production and exports, The opportunity is that economic policies are designed and implemented without relying on oil revenues^[2]. In this study, we review the literature in the field of brands development and the necessity to strengthen the brand's creativity in Iran to remove dependence on petroleum industries.

2. Iran and sanctions

Economic strength meant to identify areas of pressuring other countries and efforts to control and reduce the effect of this pressure and in the ideal situation is to convert threats into opportunities. Resistance economy and reduce dependence emphasis on the advantages of domestic manufacturing and is trying to self-reliance^[2]. The economy of Resistance in Iran is as old as history. Starting this phenomenon can be found in the history of the Islamic company. Experience resistance

economy may not be limited to Iran But also countries such as Yugoslavia, Cuba, Chile and even America on three occasions, China, Japan and Germany after World War I and in the end when the European Union has experienced it. Brands act as cultural ambassadors and can also increase the national wealth and the economic development of the country, to the development, introduction, and recognition of Iran in other countries. Always with products, consumer culture, history, and principles of the country where the manufacturer is released. This could become an instrument of Iranian influence in other countries. Branding deal with emotional issues and within the people, Preferences and select the products they buy. This process may be essentially the same as the strength of the economies needs^[3]. Due to the special conditions of Iran and the need to deal with international sanctions and under ideal conditions, turn threats into opportunities by identifying strengths and weaknesses of Iran. Protection of domestic production, labor, and capital and increase productivity to reduce the cost of the manufacturing sector^[2]. With an understanding of brand development and its challenges if we could take action in this investment, we can see dramatic changes in the Iranian economy that some of them may be outlined as follows

- Empowerment of products and production, maintain existing jobs, new jobs added in the development process of employment and job security in the community.
- Increased durability and long-term sustainable development of the economic cycle with a view to the issue of production and market development.
- High affinity and customer loyalty to local products and buy Iranian goods, which is one of the important foundations of economic strength.
- Reduced willingness to buy foreign brand and goods, reduce their contribution to an economic basket that is another pillar of economic strength.
- Transmission of culture and create a good image in the international community
- Entry into the world trade market

- Strengthening national brands and reclaim lost many markets such as carpets, saffron, dates, pistachios

According to statistics provided by the Industrial Management Institute, 10 first companies ranked in 2015 are as follows:

Table 1: sales of first 10 companies ranked ⁽⁴⁾

	Company	Abbreviation	Sales 2015(IRR)	Sales2014(IRR)
1	Persian Gulf Petrochemical industries co	PGPIC	308424.7	256117.0
2	Esfahan Oil Refining company	EORC	302381.6	367622.5
3	Bank Melli Iran	BMI	294582.3	196985.7
4	Bandar Abbas Oil Refining Company	BAORC	264909.2	400779.4
5	Persian Oil & Gas Development Group Co	POGDC	243851.2	210934.0
6	Parsian Bank	PB	219244.9	117867.1
7	Iran Khodro Company	IKCO	216394.5	216394.5
8	Tehran Oil Refining Company	TORC	201282.4	201282.4
9	Bank Mellat	BM	192951.2	150826.0
10	Tejarat Bank	TB	149400.6	122714.1

Company sales were an indicator for measuring that is not less than 200 billion IRR. As can be seen, the greatest asset is in the petrochemical industry and the banks. The country's industrial assets and income are dependent on Iran's oil industry ^[4]. Although repeatedly raised the issue of lack of dependence on the oil industry, but we have been witnessing negative behavior ^[2]. As we can see, the most important source of income in recent years through the export of oil. International sanctions such as tanker uninsured, and reducing purchases of Iranian oil, reduce oil exports and national income has been decreasing. In this situation, there is the need to support domestic products to reduce dependence on oil revenue ^[2]. Economic strength is based on two pillars: Boost local production and motivate people to buy domestic goods and encourage people not to buy foreign goods ^[3]. People with the resistance economy condition should save and avoid buying some foreign products and with the purchase of Iranian goods, the blossoming of Iranian goods ^[2].

Improve the non-oil products

New product development, creates a competitive advantage, creating barriers to entry for competitors, new markets, and ultimately increase revenues and profits for the company ^[5]. Organizations are required to develop new products and the use of resources and organizational capabilities in order to develop the appropriate product ^[6]. The success of new products as they are considered paramount for firms and even

survival ^[7]. Today's marketers are faced with tough challenges, that today in this competitive environment and markets segmented, how they can be innovative. The consumption-oriented economy that the market of products, such as saturated, a high percentage of new products, are doomed to failure. Twenty years ago, failure to success ratio was much lower. The question is why these days succeed through new product so difficult? ^[8]. Today many executives managers in business are focused on improving efficiency, making things work better and provide better customer service and they work hard and think to do a good job. To improve operations, managers

Should spend time looking for new ways to meet the needs of their clients. Managers must find new ways to achieve the company's goals. In addition to the growing trend of businesses today, managers must begin taking steps that are quite outstanding. New designs, some successful and some may be unsuccessful. Most importantly, they should encourage customers to take advantage of new opportunities and empower the creative and entrepreneurial. Many organizations are stuck in the standard mode. They are trying to better the existing models and don't try to search for new and better models. Gary Hamel says most organizations are built for continuous improvement, not for continuous innovation. They know how to produce better, but they do not know how different can be produced ^[9].

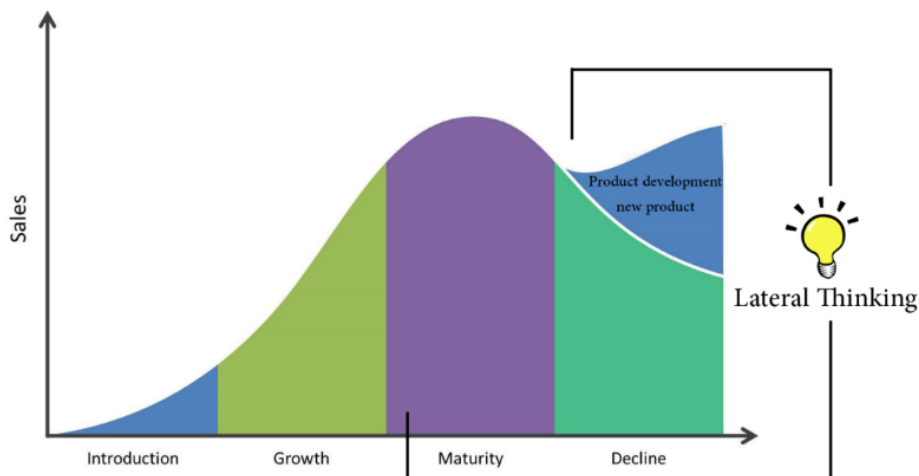


Fig 1: Author Model

3. Conclusion

In all Arabic countries except the UAE, oil is the basic export good and oil accounts for above 80 percent of total exports in half of them (above 60 percent). In the UAE (as in Bahrain),

the share of non-oil exports is larger ^[10].

According to the latest report of the Trade Promotion Organization of Iran, The non-oil exports in 2017 are as follows:

Table 2: Analytical reports of the oil and non-oil goods ⁽¹¹⁾

Product group	2016 (march until December)		2015 (march until December)		Percentage changes	
	Value	Weight	Value	Weight	Value	Weight
Petrochemical	21034	21453	10098	16772	15	95.6
industry and Mining	4906	33969	4454	27918	10	21.7
Agriculture	3340	3852	3347	3052	3	26
Electrical and Mechanical	1114.6	326.5	1093.6	300.9	1.9	8.5
Medicines and medical equipment	162.9	32	114	23.6	42.9	35.6
Textile and clothing	939.3	162.1	943.8	138.5	-0.5	17
Food industry	1715.4	984.6	1596.7	908	7.4	8.4

As you see, goods with oil infrastructure, have first ranks among non-oil exports and this represents the industry's dependence on petroleum products. And a lack of dependence on certain products, especially oil infrastructure can be a viable solution. In economic resistance conditions, Iran should focus on non-oil infrastructure and invest in research and development. Creativity can help to draw the attention of consumers to domestic goods. As we know, new product development process for different types of product/service organizations is now the competitive advantage. Customer Demands and requirements are motivating factor for innovation and organizational creativity in new product development process and will force organizations to maintain existing customers and encourage potential customers to spend more investments for their developmental processes. Having an appropriate model process for such organization is the basic condition and increase flexibility in new product development process. Investment in product development could increase due to the domestic market and provided exports also ^[2].

4. References

1. Kitous A, Saveyn B, Gervais S, Wiesenthal T, Soria A. Analysis of the Iran oil embargo. JRC scientific and policy reports. 2013.
2. Commerce Co, Industries, Mines and Agriculture Tehran. (14, <http://farsi.tpo.ir/index.aspx?fkeyid=&siteid=1&pageid=5445>). 2012.
3. Jabalameli MH. The world of economy Newspaper. 2016.
4. Institute IM. (<http://imi100.imi.ir/Pages/RankingFirst100.aspx>). 2015.
5. Ceccagnoli M. Appropriability, preemption, and firm performance. *Strategic Management Journal*. 2009; 30(1):81-98.
6. Reid M, Brady E. Improving firm performance through NPD: The role of market orientation, NPD orientation and the NPD process. *Australasian Marketing Journal (AMJ)*. 2012; 20(4):235-41.
7. Harmancioglu N, Droge C, Calantone RJ. Strategic fit to resources versus NPD execution proficiencies: what are their roles in determining success? *Journal of the Academy of Marketing Science*. 2009; 37(3):266-82.
8. De Bes FT, Kotler P. *Winning at innovation: the A-to-F model*: Palgrave Macmillan, 2011.
9. Sloane P. *The Leader's Guide to Lateral Thinking Skills: Unlocking the Creativity and Innovation in you and your team*: Kogan Page Publishers, 2006.

10. Manama B, editor *Economic Diversification in Oil-Exporting Arab Countries*. Annual Meeting of Arab Ministers of Finance, 2016.

11. Goods OoE. Analytical reports of non-oil goods. (<http://farsi.tpo.ir/index.aspx?fkeyid=&siteid=1&pageid=5445>). 2017.