



27 - 30 August 2017 Tehran - Iran

Commodity Sector of Iran – Impact to Economic Development

Alexander G. Tvalchrelidze (sandrotval@gmail.com)

JSC International Mining Box and Ivane Javakhishvili Tbilisi State University, Tbilisi, Georgia

Abstract:

Contribution hereto deals with essentially novel approach – statistical modeling of the primary commodity production impact on Iran’s economic development. Iran produces about 30 primary mineral commodities, however only nine of them (oil gas, iron ore, aluminium, copper, lead, zinc, gold, and silver) have significant impact on the country’s GDP. For statistical modeling we have introduced a notion “Commodity Value”, which implies volume of annual commodity production multiplied by average annual world commodity price. Statistical modeling consisted in investigation of the quadratic regression equation, which establishes interrelation between the total (aggregated) commodity value and Iran’s GDP. Results of investigation have demonstrated that: (i) As in each country, which develops market relations, impact of commodity sector on economic growth of Iran is huge; (ii) In the new Millennium this impact annually varies from 30 to 50% of GDP; (iii) Quadratic equation, which describes interdependence between total commodity value and Iran’s GDP, has an exponential character, and this means that further growth in commodity production will have huge impact on economic growth; (iv) Using the model hereto, the Iranian governmental decision maker, planning production of basic commodities, may predict rate of economic growth, and the accuracy of such assessment will be $\pm 5\%$. At the same time, share of mineral versus energy commodities in total commodity sector is inadequately low in Iran. As far as further growth in oil and gas production meets huge geopolitical and infrastructural encumbrances, the basic bets shall be placed on development of mineral commodity production, and mainly on gold and base metals. For doing this: (i) Investments in exploration & mining shall be promoted; (ii) Mining Act of Iran shall be updated taking into account the best world mining practice; (iii) Routine procedures of licensing shall be simplified, and (iv) Licenses where no business activities were registered during a fiscal year, shall immediately be canceled.

Keywords: (Commodity value, GDP, quadratic regression equation, economic development)



4th YES Congress



27 - 30 August 2017 Tehran - Iran