

Rethinking Iran's economic policies

Exploring challenges, Norway's experience



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OPINION
EXCLUSIVE

As one of the world's leading oil producers, Iran's economy has consistently faced challenges such as reliance on oil revenues, exchange rate volatility, and high inflation. This vulnerable structure, particularly when confronted with economic sanctions and global oil market fluctuations, has revealed its incapacity to manage crises effectively. While many oil-dependent countries have adopted intelligent policies to move beyond reliance on oil and diversify their economies sustainably, Iran's economy remains heavily dependent on oil revenues. Previous attempts to reform this structure have failed to yield desired outcomes, largely due to a lack of transparency and systemic corruption.

Meanwhile, as an oil-rich nation, Norway has successfully presented a model of intelligent oil revenue management. The country has established a transparent sovereign wealth fund and sustainable resource allocation system, leveraging oil price volatility to foster long-term development. Examining Norway's experience and adapting its lessons to Iran's economic context could pave the way for essential structural reforms.



Iran must prioritize the establishment of a transparent and sustainable development fund that channels oil revenues into productive and long-term investments. To ensure the success of this initiative, three fundamental principles must be upheld: transparency, managerial independence, and sustainable resource allocation.

Over the past decade, Iran's economy has encountered several key challenges, stemming either directly or indirectly from its oil-dependent structure and international sanctions. Inflation, which stood at approximately 15% in 2010, has soared to over 40% in 2023. This rise is attributed to the excessive printing of money to cover budget deficits, inefficient liquidity management, and the depreciation of the rial against foreign currencies. High inflation has diminished people's purchasing power and exacerbated economic inequality. Economic growth in Iran has been highly volatile over the past decade. While there have been years of positive growth, the country's average economic growth during this period has hovered close to zero. A significant factor contributing to this stagnation is the reduction in oil exports due to sanctions and the lack of diversification in the economic structure. In contrast,

neighboring countries such as Saudi Arabia and the United Arab Emirates have achieved more sustainable economic growth by investing in non-oil industries and attracting foreign investment.

Another major challenge is the high unemployment rate. Although the official unemployment rate in Iran is reported to be around 9%, this figure exceeds 20% among young people and university graduates. The lack of job opportunities aligned with the skills and expertise of the workforce has been a primary driver of brain drain from the country.

Norway's success story

Despite its abundant oil reserves, Norway has managed to establish a model of a sustainable and diversified economy through intelligent resource management. In the 1990s, the country established the Government Pension Fund, which is now recognized as the largest sovereign wealth fund in the world. Valued at over \$1.3 trillion, this fund plays a cru-

cial role in stabilizing Norway's economy.

One of the key principles governing this fund is transparency and independence from governmental structures. Only 3% of the annual returns from the fund are allocated to the national budget, with the remainder invested in international projects. This policy has insulated Norway from oil price volatility and fostered economic diversification.

The table provides a comprehensive comparison of economic indicators between Iran and Norway. This table highlights the performance differences of the two countries in resource management and sustainable development.

Reform strategies for Iran's economy

Iran must prioritize the establishment of a transparent and sustainable development fund that channels oil revenues into productive and long-term investments. To ensure the success of this initiative, three fundamental principles must be upheld: transparency, managerial independence, and sustainable resource allocation.

This fund should be governed by clear and enforceable regulations to guarantee the fair and efficient use of its resources. Moreover, only a specified percentage of the fund's profits should be used to cover the government's current expenditures, similar to Norway's model. This approach will help control inflation, reduce economic volatility, and promote stability.

Diversifying the economy is another essential priority. Iran must reduce its dependency on oil by investing in non-oil industries such as technology, tourism, and renewable energy. This requires adopting policies that facilitate foreign investment. Providing tax incentives for startups and knowledge-based companies, supporting innovative projects, and reforming regulatory frameworks are among the measures that can drive growth in these sectors.

Financial transparency is another critical pillar of reform. Iran must digitalize its tax system and reduce bureaucratic hurdles to prevent tax evasion and improve resource allocation. Establishing independent oversight bodies to manage resources and combat corruption is also essential. These bodies should have the legal authority to monitor and evaluate the

performance of the sovereign wealth fund and other public resources.

Strengthening economic diplomacy is a key priority. Iran should work toward lifting sanctions and providing security guarantees to attract foreign investors and create new economic opportunities. Leveraging regional cooperation, especially with neighboring countries, can significantly boost trade and attract investment.

Iran, as one of the world's major oil-producing countries, faces serious economic challenges. Dependency on oil, a lack of financial transparency, and weaknesses in economic infrastructure are among the factors hindering the country's path to sustainable development. Norway's experience demonstrates that intelligent management of oil revenues and investment in non-oil sectors can lead to sustainable growth and reduced economic volatility.

To succeed on this path, the government must focus on three key pillars: establishing a transparent and sustainable development fund, diversifying the economy, and strengthening economic diplomacy. These reforms, in addition to reducing dependence on oil, will pave the way for sustainable economic growth, lower inflation, and increased employment opportunities.

The photo shows an Iranian oil tanker, named "Iran Hamoon," belonging to the National Iranian Tanker Company (NITC).
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