

Preface

This book is based on various studies concerning Iran's textile and apparel industries published by the author since 1993. Through this work, I aim to inquire into the characteristics of the state of Iran's industrial organization.

I started fieldwork in Tehran in 1994, having already set about an investigation on the history and the present conditions of Iran's textile industry through the use of related literature. I was sent to Tehran by the Institute of Developing Economies as a Junior Overseas Researcher in February 1994, and this led me to make acquaintances in the local textile companies and develop an interest in the more concrete production and distribution system of Iranian firms. I started by interviewing textile firms as well as the brokers who worked with local Japanese companies, gradually adding Iranian apparel firms to my list of interviewees.

It is needless to say that Iran is blessed with abundant mineral resources including oil and gas. If you look at the breakdown of Iran's GDP, however, it is clear that the Iranian economy does not solely depend on these resources but has a comparatively well-balanced industrial structure comprising agriculture, manufacturing, and services. To gain a deep understanding of the Iranian economy, it is useful to look at the textile and apparel industries, which possess a long history and greater employment compared with the capital-intensive public sector of oil and gas. We can grasp the specific state of the Iranian people's labor and livelihood in these industries by investigating how they conduct their daily business and cope with problems.

My fieldwork revealed that the majority of Iran's apparel firms are very small in scale, lacking in capital integration or grouping observed, with little subcontracting. Each small-scale firm is a completely independent business entity. In Tehran, numerous independent small-scale firms would conduct their production based on their own expectation and market assessment, and this led to the development of a distribution system where each firm would send its products to the market on its own. Such a self-reliant system functions at all stages from production to sales, under circumstances where related firms are by no means organized. Iran's apparel firms embody the features of the manufacturers in the country's private sector in

terms of their minuteness, independence, and weak relation with distribution channels. They are significant objects of study.

As discussed in this book, a massive amount of foreign apparel goods entered the Iranian market in the 2000s. This was brought about by changes in the trade policies of the Iranian government and the expansion of competition and sales power on the supply side (such as the development of China's "Specialized Markets"). There is nothing odd about cheap foreign goods selling well under such conditions. However, a significant and noteworthy aspect is that this inherent state of Iran's industrial organization has been the cause of the surging inflow of foreign goods. This state of industrial organization embodies "independent" small-scale firms not organized under the umbrella of big companies and an elastic market structure in which producers can easily venture out and become distributors. Such entrepreneurial attitude places much importance on diversifying operations. The more direct and influential players that brought about the rapid change in the domestic market were those who had been running their own businesses in Iran's apparel manufacturing industry. This book pays special attention to the influence that the state of existing industrial organization exerts on Iran's economic performance from the aforementioned perspective.

The state of Iran's industrial organization seems rather chaotic to those of us familiar with small-scale firms working faithfully for larger companies, but such a disorderly condition strongly reflects the patterns of organizations and human relations in Iranian society. Such a state affects not only the production process of a specific industry but also the related distribution channels and, consequently, the entire market structure. In other words, it has a great influence on the way the country's economy functions, and it is, therefore, quite important to understand it as a whole.

I stayed in Tehran for a year during 1994–1995 and later on for 2 years during 2009–2011 to conduct research (I had learned Persian language in my student days). I also made annual visits, usually research trips lasting a few weeks each time (although I did not always focus only on the textile and apparel industries). Throughout the 20 years or so of fieldwork in Tehran, I became acquainted with many Iranian entrepreneurs and businessmen. I sometimes requested the relevant trade associations to introduce me to someone appropriate, but often, those whom I had met previously would introduce me to someone else in the same business. In Iran, where the organizational relationships among firms are weak and each worker's own personal network plays a more important role in business, research activity cannot be easily conducted without such person-to-person mediations. The publication of this book would not have been possible without the many open-hearted Iranian people who have a large circle of acquaintances in the textile and apparel business.

Special thanks go to Dr. J. M. Ja'farī, the Representative Director of Iran Torino and Ms. F. Asnāfi, the then Manager of International Affairs of the Association of Iran Textile Industries, and Dr. S. A. Moujānī, an erudite scholar and my old friend. They have always been very helpful in introducing me to many creative and powerful Iranian entrepreneurs with all their useful contacts. Mr. M. Yektā, the then

Secretary of the Iran Textile Exporters' Association, was a reliable contractor who took on the difficult task of implementing my questionnaire survey. I would like to express my deep gratitude to the four of them and to all other Iranian collaborators and sources.

I also wish to convey my heartfelt thanks to Dr. S. 'Āmelī, the then Dean of the Faculty of World Studies, University of Tehran, for accepting me as a visiting researcher during 2009–2011 and to Prof. M. Naqīzāde for providing generous support and advice. The Questionnaire Survey on Apparel Firms in Iran 2010 would never have been implemented without their thoughtful assistance and support.

The aforementioned questionnaire survey, conducted in 2010, was a part of a joint research project during 2009–2010 involving the Institute of Developing Economies and the Office of Need-based Program for Area Studies, Middle East within Asia: Law and Economics, Hitotsubashi University. In conducting this joint project in Iran, we faced various technical and financial difficulties. I sincerely thank Prof. Emeritus Hiroshi Kato of Hitotsubashi University and Dr. Erina Iwasaki, Professor of Sophia University, for bringing about a quick and amicable settlement to these issues.

All the research projects I conducted in Tehran that provide essential experimental data for this study have been sponsored by the Institute of Developing Economies.

I hope this book will be a small contribution to the study of the Iranian economy and to the understanding of Iran in a broader sense.

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Industrial Organization in Iran

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