

IRAN #5

RM 1975-0051  
1976-0163  
1978-0026  
1978-0101

RESBP COUNTRY FILES

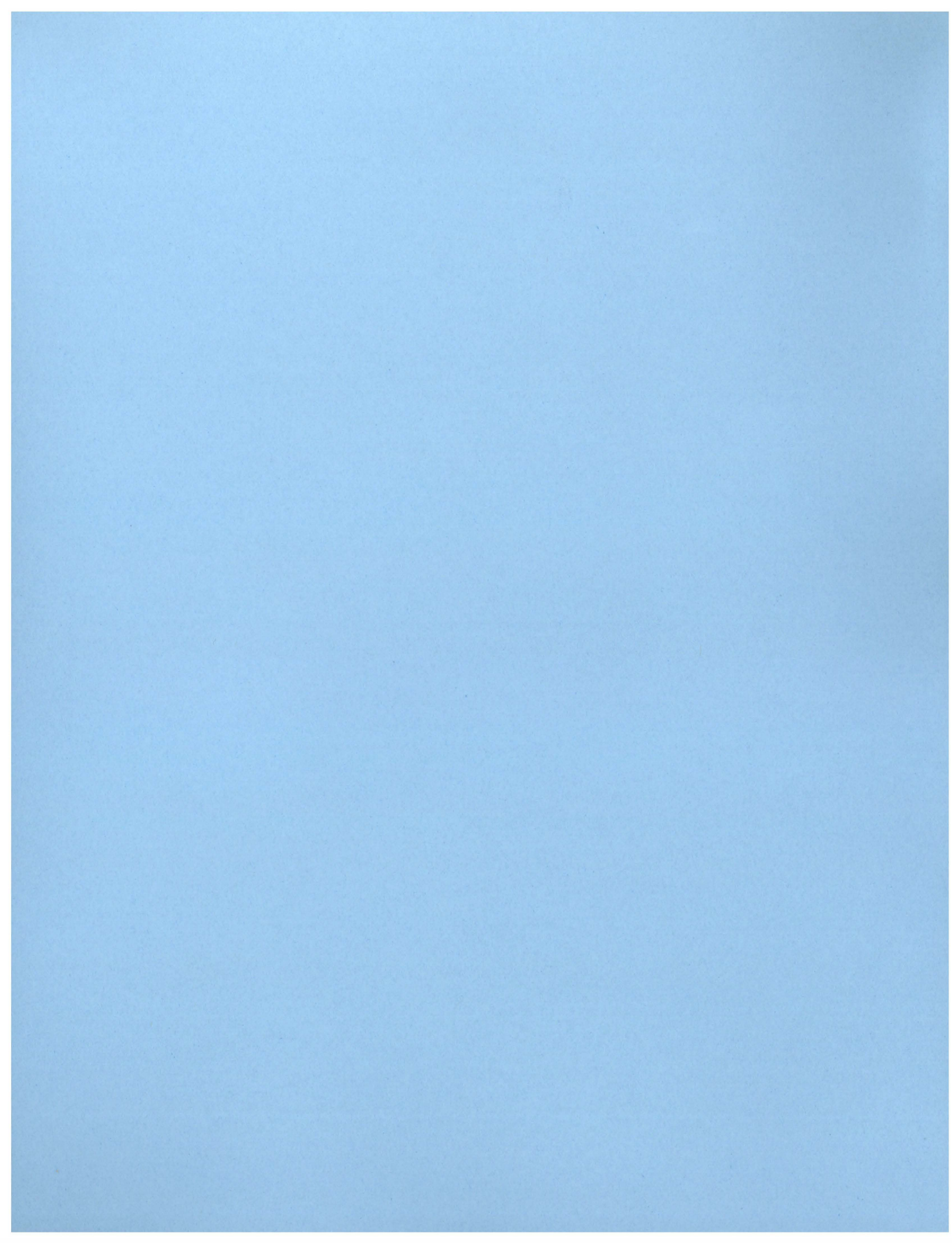
Box 60  
FILE 2  
#56335

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

Dear Dr. Hezareh:

(see letter 6/21/66)

Cable: MARKAZBANK



INTERNATIONAL MONETARY FUND

This file covers the period  
Sept. 1965 through Oct. 1967.  
Now see file #7.6

October 16, 1967

Dear Dr. Hezareh:

I am writing to thank you for Mr. Homayoon's letter of September 30 (Res. No. 1114), which enclosed Iran's revised balance of payments data for 1962/63-1965/66 and preliminary data for 1966/67, together with explanatory notes. We were also grateful to receive the answers to the questions raised in our memorandum of May 3 and for the detailed report that you sent us on the procedure which you have adopted for computing oil consortium exports, investment income, and new investment in Iran.

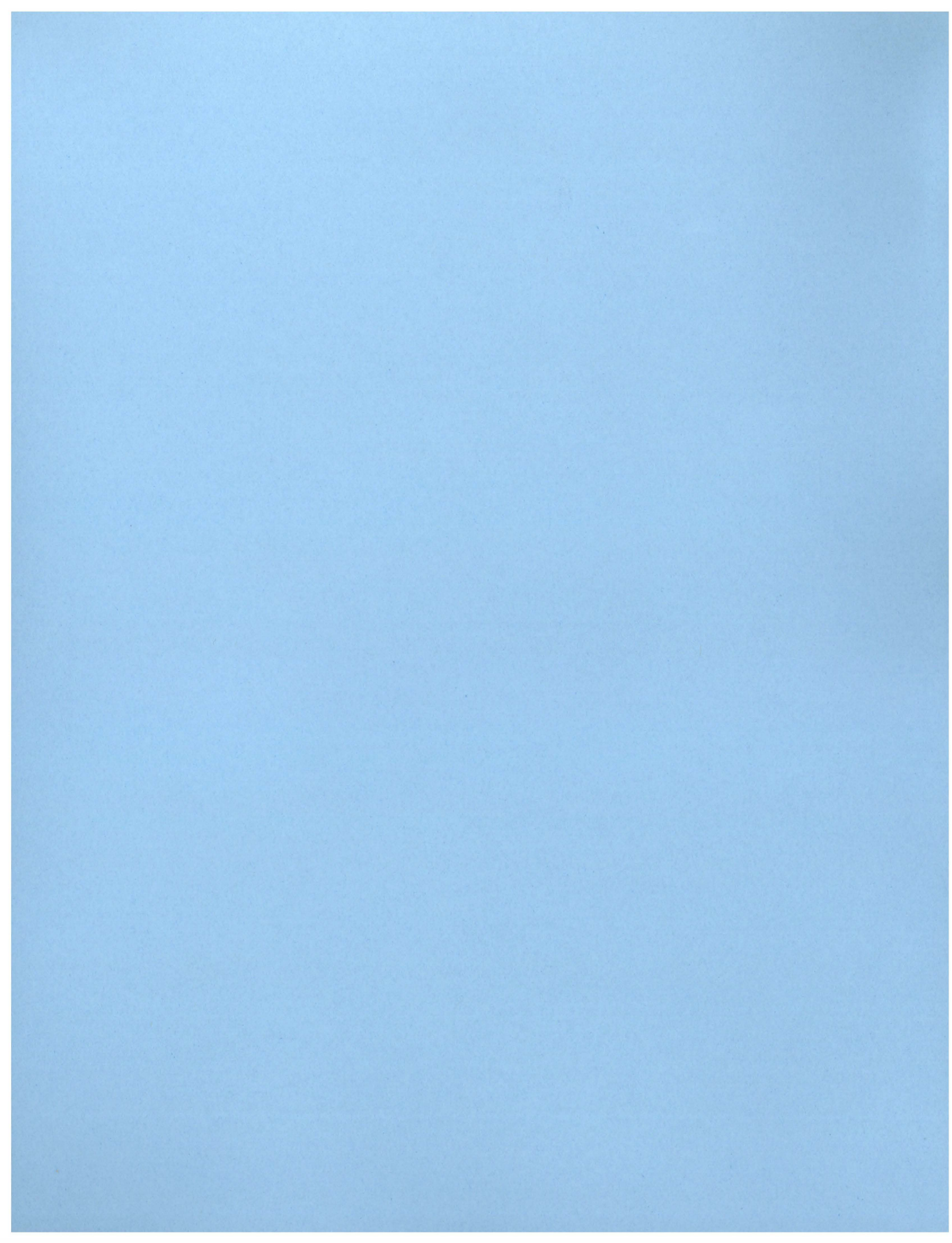
Using this information, we can now prepare the Iranian section of our nineteenth Balance of Payments Yearbook. As usual, we shall send you a draft of what we propose to publish, so that you will have an opportunity to let us have your comments. In the meantime, we shall issue a provisional page for Iran, covering 1965/66 and 1966/67, in our current Yearbook in November.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY



*Bank Markazi Iran*  
(The Central Bank of Iran)

254518

CABLES: MARKAZBANK

Tehran, September 30, 1967

Res. No. 1114

Dear Mr. Smith,

I have the pleasure to enclose a copy of our balance of payments for the years 1341-45 (1962/63-1966/67) and the report on the procedure used for computation of Oil Consortium exports, investment income and new investment in Iran.

However, as the balance sheets and profit and loss statements of the other oil Companies were not available to us, this procedure could not be applied to the operations of the said companies in Iran.

In our draft some data related to the year 1345 (1966/67) is preliminary while those for (1341-1344) (1962/63-1965/66) are revised. We would appreciate it very much if you use our new figures in your publications.

Sincerely yours,

*Bahman Homayoon*

Bahman Homayoon,  
Deputy Director,  
Research Department

Mr. John S. Smith,  
Assistant Director,  
(for Balance of Payments  
Division)  
Research and Statistics Department  
International Monetary Fund,  
Washington D.C. 20431

*Bank of America*  
*(The Federal Reserve Bank)*

October 6, 1967

CABLE: MARRKABANK

111

Dear Sirs:

I have the pleasure to acknowledge a copy of your letter of September 27, 1967, regarding the computation of the Corporation's investment income and new investment in the Corporation's common stock.

The balance sheet and profit and loss statement for the Corporation were not available at the time of the computation of the Corporation's investment income and new investment in the Corporation's common stock.

The Corporation's investment income and new investment in the Corporation's common stock for the period from January 1, 1967, to September 30, 1967, is as follows:

*Robert Anderson*

Director  
Federal Reserve Bank  
Washington, D.C.

RECEIVED  
COMMUNICATIONS  
DIVISION  
OCT 6 4 03 PM '67



Received by IMF Balance of Payments Division  
with letter of September 30, 1967

Table A

## IRAN: Current and Capital Transactions

\$ million

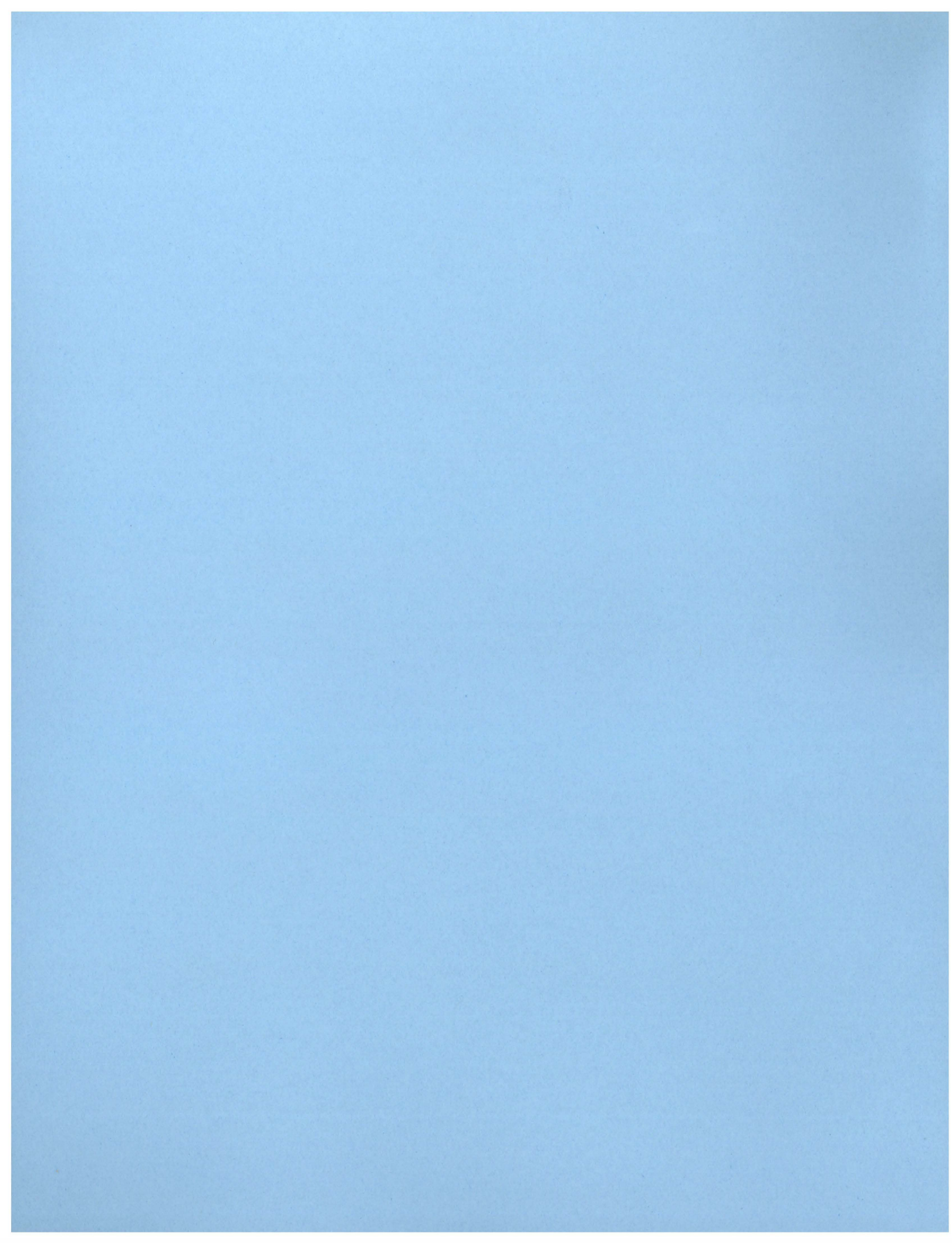
	(1962/63)		(1963/64)		(1964/65)		(1965/66)		(1966/67)	
	1341		1342		1343		1344		1345	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
<b>A. Goods and Services</b>	<u>1,088.6</u>	<u>1,018.0</u>	<u>1,140.6</u>	<u>1,054.4</u>	<u>1,221.5</u>	<u>1,255.7</u>	<u>1,421.5</u>	<u>1,520.6</u>	<u>1,570.6</u>	<u>1,688.4</u>
1. Merchandise	1,026.8	542.3	1,080.7	508.5	1,152.7	735.8	1,319.4	862.1	1,456.1	954.9
1.1 Oil sector	902.1	82.1	942.5	36.3	999.6	69.5	1,138.6	98.8	1,298.6	79.3
1.2 Other	124.7	460.2	138.2	472.2	153.1	666.3	180.8	763.3	157.5	875.6
2. Non-monetary gold	-	0.4	-	0.2	-	0.4	-	0.5	-	1.2
3. Freight and merchandise insurance	1.5	-	1.0	-	1.0	-	1.0	-	-	1.0
4. Other transportation	5.7	6.8	4.9	8.3	6.8	12.7	8.5	11.4	8.0	14.4
4.1 Passenger fares	4.8	5.1	3.9	7.0	6.1	10.2	7.5	9.4	7.0	12.4
4.2 Time charters	-	1.7	-	1.3	-	2.5	-	2.0	-	2.0
4.3 Bunker fuel	0.9	-	1.0	-	0.7	-	1.0	-	1.0	-
5. Travel	7.0	32.5	8.0	40.0	14.0	48.4	21.0	52.6	29.8	54.5
6. Investment income	2.2	363.0	3.1	415.5	2.7	369.8	7.7	420.5	6.2	479.9
6.1 Oil Consortium	-	347.9	-	398.7	-	347.9	-	397.6	-	457.6
6.2 Other oil companies	-	0.8	-	1.8	-	3.4	-	6.5	-	8.0
6.3 Other <i>long term interest on official loans</i>	2.2	14.3	3.1	15.0	2.7	18.5	7.7	16.4	6.2	14.3
7. Government, not included elsewhere	26.0	34.5	22.6	40.3	18.5	46.0	26.0	79.9	24.2	101.7
8. Other services	19.4	38.5	20.3	41.6	25.8	42.6	37.9	93.6	46.3	80.8
8.1 Oil Consortium	-	21.6	-	20.5	-	21.8	-	46.8	-	36.2
8.2 Other	19.4	16.9	20.3	21.1	25.8	20.8	37.9	46.8	46.3	44.6
Net goods and services	70.6	-	86.2 <sup>87</sup>	-	-	34.2	-	99.1	-	117.3
Trade balance (1 and 2)	484.1	-	572.8 <sup>88</sup>	-	416.5	-	456.8	-	500.0	-
Net services	-	413.5	-	485.8	-	450.7	-	555.9	-	617.8
<b>B. Transfer Payments</b>	<u>21.5</u>	<u>0.9</u>	<u>25.5</u>	<u>1.9</u>	<u>11.6</u>	<u>2.6</u>	<u>13.8</u>	<u>0.8</u>	<u>7.6</u>	<u>0.5</u>
9. Private	12.4	0.1	13.9	0.1	2.2	0.1	3.5	0.2	1.0	0.2
10. Central government	9.1	0.8	11.6	1.8	9.4	2.5	10.3	0.6	6.6	0.3
Net total (1 through 9)	82.9	-	100.0	-	-	32.1	-	95.8	-	117.0
Net total (1 through 10)	91.2	-	109.8	-	-	25.2	-	86.1	-	110.7

IRAN: Table A (continued)

\$ million

	1341		1342		1343		1344		1345	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
C. Capital and Monetary Gold	-	43.9	-	97.6	79.1	-	123.9	-	208.0	-
11. Private long-term capital	-	22.7	-	33.9	221.6	-	46.6	-	71.9	-
Direct investment	-	22.7	-	33.9	221.6	-	46.6	-	71.9	-
11.1 Oil sector	-	28.8	-	38.1	219.2	-	40.2	-	63.0	-
11.2 Other	6.1	-	4.2	-	3.7	1.3	10.8	4.4	12.8	3.9
12. Other private long-term	0.5	0.3	1.0	0.8	1.0	0.4	3.2	0.6	9.3	-
13. Other private short-term	-	1.0	-	-	-	-	-	-	-	-
14. Central government	8.3	-	-	46.0	-	40.3	20.7	-	104.9	-
14.1 Long-term loans and credits	59.4	54.2	19.1	58.2	31.6	73.6	80.3	60.5	146.6	41.0
14.2 US Government rial holdings	4.0	-	-	6.0	2.6	-	2.7	-	-	-
14.3 IBRD holdings of rials	-	-	-	-	-	-	-	0.7	-	-
14.4 Subscription to IBRD & IDA	-	0.9	-	0.9	-	0.9	-	1.1	-	0.7
15. Central monetary institutions	-	46.5	-	12.4	-	103.2	62.9	-	31.8	-
15.1 IMF rial holdings	-	20.5	-	-	17.5	-	37.8	-	-	-
15.2 IBRD and IDA rial holdings	0.8	-	0.7	-	0.8	-	0.8	-	-	-
15.3 Subscription to IMF	-	-	-	-	-	-	-	55.0	-	-
15.4 Marketable assets	-	7.2	7.1	-	-	1.0	-	1.0	-	-
15.5 Exchange deposits	-	15.4	-	10.9	-	118.7	72.8	-	38.3	-
15.6 Other short-term assets and liabilities	-	4.2	3.1	-	-	2.2	-	1.8	7.3	-
15.7 Gold	-	-	-	12.4	0.4	-	9.3	-	-	13.8
16. Other monetary institutions	17.8	-	-	5.5	0.4	-	-	8.9	-	9.9
16.1 Marketable assets A	-	-	-	-	1.0	-	-	-	-	-
16.2 Exchange deposits A	13.2	-	-	10.9	7.5	-	-	10.1	-	7.2
16.3 Rial deposits	4.1	-	5.5	-	-	8.2	1.1	-	-	2.7
16.4 Gold (Bank Melli Iran)	0.5	-	-	0.1	0.1	-	0.1	-	-	-
Net errors and omissions	-	47.3	-	12.2	-	53.9	-	37.8	-	97.3

*Handwritten notes:*  
 16.2 10.1  
 16.3 1.1  
 16.4 0.1



Balance of Payments of Iran

1341-1345

A summary of the balance of payments of Iran for the years 1341-1345 is given in Table A. This statement has been prepared in accordance with International Monetary Fund Manual. It shows all Iran's foreign economic transactions and therefore includes clearing transactions, as well as transactions involving exchange of foreign or local currency. Some of the data previously given for the years 1341-1344, mainly those for oil sector transactions, have been revised.

The entries for merchandise, except those for oil exports, are based on customs statistics while those for services and capital account are derived from exchange records and other sources.

In order to estimate the value of oil exports by the Oil Consortium, an indirect method has been used which is fully described in the attached report. Briefly, it is assumed that the investment income of the Oil Consortium is equal to the tax and stated payments (prior to the 1964) and tax (after 1964) paid by them to the Iranian Government. When these two are added together one arrives at the taxable income to which must be added such items as stated payments (after 1964), operating costs and fees, office and other expenditures of the Trading Companies in order to arrive at the value of total crude oil and products exported.

In order to convert figures for the gregorian years into the solar years the following method has been used:

For each gregorian year, unit value of exports per barrel of offtake has been calculated. Then offtake relating to the last nine months of one gregorian year and those relating to the first three months of the next gregorian year has been multiplied by the unit value of exports relating to that particular period. The two have been added to obtain the most exact estimate of the value of exports in solar year. This procedure has been adopted for calculating direct investment income and net direct investment.

See also  
P. 16 and  
Table 3

This procedure has been adopted because Oil Consortium data are given for gregorian years and it is based on the assumption that all the variables have been spread throughout this period without wide fluctuations.

In order to estimate the value of oil exports by other oil companies, the quantity of their exports has been multiplied by oil posted price. The data relating to the other oil companies' investment income has been derived from the NIOC balance sheets and annual reports.

As direct information on the other oil companies investment is not available, it is assumed that the investment by these companies is equal to the difference between their receipts and payments.

In this statement figures are given in US dollars, the buying rate US \$=Rls. 75.00 for exports and selling rate US\$1=76.50 for imports.

Information about some items in Table A are given in the following notes and all amounts are stated in million of US dollars.

Notes to Table A

1. Merchandise:- Exports are valued f.o.b. imports are valued c.i.f. The export figures excluding oil export are total trade returns adjusted for valuation (addition of 10.0 for 1341 and also for 1342). The import totals are also derived from trade returns adjusted for imports by foreign embassies and by Iranian travellers. The imports by the foreign diplomatic missions and Iranian travellers are from trade returns, except for imports in 1345 which are estimated. Additional details are given in Table 1.

2. Non monetary gold:- The entries show sales of gold to the private sector by the authorized banks.

3. Freight and merchandise insurance:- This account is shown on a c.i.f. basis. Freight and insurance on imports are included in item 1, debit. The credit entries cover estimated insurance claims received for lost or damaged imports.

4. Other transportation:- The credit entries cover passenger fares received by Iranian carriers and port disbursement by foreign carriers (item 4.1) and sales of bunker fuel to foreigners by the National Iranian Oil Company (item 4.3).

The debit entries cover passenger fares paid to foreign airlines (item 4.1) and payments for charter hire (item 4.2).

5. Travel:- The credit entries represent expenditures by foreign Travellers in <sup>Iran</sup> covering both foreign exchange sold to authorized banks, as well as an estimate of the amount sold to the non-monetary sector. The debit entries show estimated expenditures of Iranian travellers and students abroad, covering foreign exchange purchased from authorized banks, as well as an estimate of the amount purchased from non-monetary sector. The debit entries also include the imports of passenger goods other than for business purposes (0.4 for 1342, 0.6 for 1343 and an estimate of 0.8 for 1345)

See Table 1: 0.4 for 1343, 0.6 for 1344, and 0.8 for 1345.

6. Investment income:-

6.1 Oil Consortium:- The entries cover investment income of the oil Consortium which is assumed to be equal 1st to the amounts of stated payments and income tax paid to Iran prior to 1964, and 2nd equal to income tax alone after 1964.

6.2 Other oil companies:- The entries for other oil companies investment <sup>income</sup> are derived from NIOC reports.

6.3 Other investment income:- The credit entries cover interest received by the Bank Melli Iran and the Bank Markazi Iran. The debit entries cover interest on long-term official loans (14.3 for 1341, 15.0 for 1342, 18.2 for 1343, 16.2 for 1344 and 14.1 for 1345) charges on IMF drawings (0.1 for 1343) and interest paid on IBRD and AID loans to the Industrial and Mining Development Bank of Iran (0.2 for 1343 and also for 1344) and interest on other loans made to the private sector (0.2 for 1345).

7. Government, not included elsewhere:- Details of the entries are shown in Table 2.

8. Other services

8.1 Oil Consortium:- The entries show purchases of services by the Oil Consortium for operation in Iran as reported by themselves.

8.2 Other:- The debit entries include foreign exchange expenditures, other than those for merchandise imports and travel, of the National Iranian Oil Company (7.6 for 1341, 16.3 for 1342, 13.8 for 1343, 35.4 for 1344 and 32.7 for 1345).

9. Private transfer payments:- The credit entries cover an estimate of private donations in kind (1.0 for each of the years 1341-1345), U.S. surplus agricultural commodity grants through private agencies (3.3 for 1341, 4.5 for 1342, 0.8 for 1343 and 1.7 for 1344) and other extra ordinary relief (8.1 for 1341, 8.4 for 1342, 0.4 for 1343 and 0.8 for 1344) as shown in official US sources.

10. Central government transfer payments:- The credit entries cover grants received from the US Government (5.7 for 1341, 8.1 for 1342, 5.4 for 1339, 4.8 for 1344 and 2.2 for 1345); and U.N. technical assistance grants (3.4 for 1341, 3.5 for 1342, 4.0 for 1343, 5.5 for 1344 and 4.0 for 1345). US and UN grants are partly in the form of imports and partly in the form of services, the services obtained through these grants are entered as debit in item 7.

## 11. Private long-term capital:

11.1. Oil sector investment:- The entries cover changes in total investment by the Oil Consortium (-38.0 for 1341, -37.8 for 1342, 29.9 for 1343, 53.4 for 1344, and 68.4 for 1345), other oil companies (9.2 for 1341, -0.3 for 1342, 4.3 for 1343, -18.2 for 1344 and -5.4 for 1345) and acceptances received from new oil companies (185.0 for 1343 and 5.0 for 1344). Details are given in the Table below:

	<u>Oil Sector Investment</u>				
	<sup>62/63</sup> <u>1341</u>	<sup>63/64</sup> <u>1342</u>	<sup>64/65</sup> <u>1343</u>	<sup>65/66</sup> <u>1344</u>	<sup>66/67</sup> <u>1345</u>
Investment by Oil Consortium	-38.0	-37.8	29.9	53.4	68.4
Investment by other oil companies	9.2	-0.3	4.3	-18.2	-5.4
Acceptances by new oil companies	-	-	185.0 ✓	5.0	-
Total item 11.1	-28.8	-38.1	219.2	40.2	63.0

In order to estimate the investment by the oil Consortium, unit value of investment per barrel of offtake for each gregorian year has been multiplied by the total offtake of each corresponding solar year. Details of Oil Consortium investment are shown in Table 3.

Direct information regarding the other oil companies' investments is not available. The data for these companies represent the difference between their receipts and payments and are as follows:

	<u>1341</u>	<u>1342</u>	<u>1343</u>	<u>1344</u>	<u>1345</u>
Oil Exports	5.2	10.3	17.3	50.1 ✓	55.3
Rial expenditure	-4.5	-2.3	-11.6	-17.8	-26.3
Imports of goods	-9.1	-5.9	-6.6	-7.6 ✓	-8.0
Foreign exchange paid					
to Iran	-	-	-	-2.0	-7.6
Oil companies' investments					
income	<u>-0.8</u>	<u>-1.8</u>	<u>-3.4</u>	<u>-6.5</u> ✓	<u>-8.0</u>
T o t a l	-9.2	0.3	-4.3	18.2	5.4



11.2 Other direct investment:- The credit entries show new investment by foreign industrial companies. These investments are partly in the form of imports and partly in the form of cash remittances. The data on foreign industrial companies investment are derived from the report of the Centre for Attraction and Protection of Foreign Investments in Iran. The debit entries represent repayments of principal and profit on foreign investments for which separate figures are not available.

12. Other private long-term capital-credit entries show drawings on and debit entries cover repayments of IBRD, IFC and AID loans to the private sector.

13. Other private short-term:- The entries cover decrease in private holdings of dollar assets.

14. Central Government:-

14.1 Long-term loans and credits:- Detail of the entries are shown in Tables 4 and 5.

14.2 US Government rial holdings:- The entries cover changes in rial liabilities to the US Government resulting from purchases (credit) made in rials of US surplus agricultural commodities, and the use (debit) of the rial proceeds by the US Government.

14.3 IBRD holdings of rial:- The entry shows a decrease in Iran's liabilities resulting from the encashment of non-interest bearing demand notes by the IBRD. The corresponding increase in Iran's rial deposit liabilities is entered as a credit in item 15.2.

14. Subscription to IBRD and IDA:- Subscription (debit) were made to the IDA in gold (0.1 for each of the years 1341-43 and 0.4 for 1344) and in rials (0.8 for each of the years 1341-43 and 0.7 for each of the years 1344-45). The increase in Iran's liabilities resulting from payments of the rial subscriptions are entered as credit in item 15.2).

15. Central Monetary Institutions

15.1 IMF rial holdings:- The entries represent changes in Iran's liabilities to the fund and cover (a) increases (credit) resulting from payment of a rial subscription (41.3 for 1344) and from Iran's purchases of foreign currencies in rials (17.5 for 1343) and (b) decreases (debit) resulting from Iran repurchases of rial (20.5 for 1341 and 3.5 for 1344).

15.2 IBRD and IDA rial holdings:- The entries represent changes in Iranian rial deposit liabilities and covers (a) increases (credit) resulting from subscriptions in rials to the IDA ( 0.8 for each of the years 1341-1343 and 0.7 for each of the years 1344-45 ; from the deposit of the encashment of non-interest bearing demand notes by the IBRD (0.7 for 1344); and from loan services received by the IBRD in rials from other countries (2.1 for 1341, 0.4 for 1342 and also for 1343 and 1.4 for 1344) and (b) decreases (debit) resulting from loan disbursements to the other countries by the IBRD in rials(2.1 for 1341, 0.5 for 1342, 0.4 for 1343 and 2.0 for 1344)

15.3 subscription to IMF. Subscriptions were paid in gold (13.7 for 1344) and in rials (41.3 for 1344); the increase in Iran's liabilities resulting from payment of the rial subscription is entered as a credit in item 15.1

15.4 Marketable assets:- The entries represent changes in security holdings, by the Bank Markazi Iran.

15.5 Exchange deposits:- The entries represent the changes in the Bank Markazi Iran deposits with foreign correspondents.

15.6 Other short- term assets and liabilities:- The entries represent changes in payments agreement balances.

15.7 Monetary gold;- The entries show changes in gold holdings by the Bank Markazi Iran.

#### 16. Other monetary institutions

16.1 Marketable assets. The credit entry for 1343 shows a decrease in the IBRD bonds held by the Bank Melli Iran.

16.2. Exchange deposits . the entries represent the changes in the Bank Melli Iran and Other banks deposits with foreign correspondents.

16.3 . Rial deposits. The entries show the changes in the foreigners rial deposits with deposit money banks.

Table 1

Merchandise Account  
(in million of U.S dollars)

	1962/63	1963/64	1964/65	1965/66	1345
Exports F O B					
Oil exports:					
By Oil Consortium	896.9	932.2	982.3	1,088.5	1,243.3
By Other Oil Companies	5.2	10.3	17.3	50.1	55.3
Other than Oil from Trade Returns	114.7	128.2	153.1	180.8	157.5
Valuation adjustment for non -oil goods	10.0	10.0	-	-	-
Item: Credit	1,026.8	1,080.7	1,152.7	1,319.4	1,456.1
Imports C I F					
Imports, form Trade return					
By Oil sector					
Oil Consortium	68.3	26.2	52.4	67.4	50.6
National Iranian Oil Company	4.7	4.2	10.5	23.8	20.7
Other Oil Companies	9.1	5.9	6.6	7.6	8.0
Item 1.1 debit	82.1	36.3	69.5	98.8	79.3
By other than Oil companies	465.7	477.2	672.8	770.7	883.4
Coverage adjustment for:					
Shipments to foreign diplomatic Missions	-5.5	-5.0	-6.1	-6.8	-7.0
Imports of possenger goods	-	-	-0.4	-0.6	-0.8
Item 1.2 debit	460.2	472.2	666.3	763.3	875.6

Table 2

## Government Account

(in million of U S dollars)

	1341	1342	1343	1344	1345
Receipts					
Foreign diplomatic expenditure in Iran	20.4	14.8	9.8	14.3	11.0
Iranian government receipts from abroad	5.6	7.8	8.7	11.7	13.2
Item 7 credit	<u>26.0</u>	<u>22.6</u>	<u>18.5</u>	<u>26.0</u>	<u>24.2</u>
Payments					
Diplomatic expenditure abroad by Iran <i>p110</i>	6.0	7.0	8.3	8.3	8.9
Purchases of services by Plan Organization <i>p110</i>	16.6	18.1	11.5	12.4	17.9
Other expenditures by Iranian government <i>See</i>	6.0	9.0	18.9	54.2	69.4
Technical assistance services financed by: <i>p110</i>			<i>7.1</i>	<u>20.7</u>	<u>15.6</u>
United Nations	2.2	3.5	4.0	3.0	4.0
U S Gov.	3.7	2.7	3.3	2.0	1.5
Item 7 debit	<u>34.5</u>	<u>40.3</u>	<u>46.0</u>	<u>79.9</u>	<u>101.7</u>

Table 3

Oil Consortium Investment  
(in million of US dollars)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
1- Direct investment as derived from oil operating companies' balance sheets	-36.4	-28.9	14.4	53.4	19.9
2- Liquidation of liabilities in respect of previous years' operations	-	5.0	-	-	-
3- Increase in Consortium liabilities resulting from changes in accounting of exploration and drilling cost	-	-13.4	-	-	-
4- Under-payments to Iran due to miscalculation of oil gravity	-	-	-0.2	-	-
5- Over payment to Iran in 1964 deducted from Iran's revenue (1965)	-	-	2.0	-	-
6- Liquidation of previous year's over payments	-	-	-	-2.0	-
7- Liquidation of previous year's under payments	-	-	-	0.2	-
8- Liquidation of Consortium's liabilities in respect of 1963 operations	-	-	13.4	-	-
9- Additional payments to Iran as a result of change from quarterly to monthly payments of Trading Companies' tax	-	-	-	-	44.8
<b>T o t a l</b>	<b>-36.4</b>	<b>-37.3</b>	<b>29.6</b>	<b>51.2</b>	<b>64.7</b>

A- Investment per million barrels of oil offtake by Consortium	-0.0813	-0.0746	0.0514	0.0828	0.0928
	<u>62/63</u>	<u>63/64</u>	<u>64/65</u>	<u>65/66</u>	<u>66/67</u>
	<u>1341</u>	<u>1342</u>	<u>1343</u>	<u>1344</u>	<u>1345</u>
B- Oil Consortium oil offtake in solar years (in million barrels)	467.2	506.7	575.5	644.8	737.4
C- Oil Consortium investment in solar years (A multiplied by B)	-38.0	-37.8	29.9	53.4	68.4

Table 4

IRAN

## Loans Received by Central Government

(in million of U.S. dollars)

	<sup>1962/63</sup> <u>1341</u>	<sup>1963/64</sup> <u>1342</u>	<sup>1964/65</sup> <u>1343</u>	<sup>1965/66</sup> <u>1344</u>	<sup>1966/67</sup> <u>1345</u>
Drawings from:					
IBRD	33.3 ✓	5.3 ✓	1.5 ✓	7.0 ✓	7.7 ✓
Germany	4.5	3.8	6.0	4.2	8.5
U. S. A.					
EX-IM Bank Loans ✓	- x	-	-	<sup>7.0</sup> x 4.9 x	27.4
AID loans	16.7 ✓	4.7	1.3	6.8	8.7
PL 480 <i>Domestic currency</i>	4.9 ✓	5.3	4.0	0.3	0.4
Other U.S.	-	-	7.1	43.8	54.4
French Loans	-	-	11.7	11.9	4.9
U.K. Loans	-	-	-	0.5	8.3
U.S.S.R. Loans	-	-	-	0.9	9.6
Oil Consortium Loan	-	-	-	-	16.7 ?
Item 14.1 Credit	59.4	19.1	31.6	80.3	146.6

110.1

50.7

9/30/67

Table 5  
**IRAN**

Loans Repaid by Central Government

(in million of U.S. dollars)

	62/63	63/64	64/65	65/66	66/67
	<u>1341</u>	<u>1342</u>	<u>1343</u>	<u>1344</u>	<u>1345</u>
Repayment to:					
IBRD	14.6	5.0	5.3	4.6	6.6
2/10 Compensation payments to the British Petroleum Co.	7.0	7.0	7.0	7.0	-
U. S. A.					
Export-Import Bank	10.4	12.1	11.4	9.5	8.4
AID	3.1	7.7	12.4	12.6	12.1
Other U.S.	-	-	-	7.8	13.2
France	11.1	13.1	19.0	12.0	0.1
Germany	0.7	0.9	1.7	3.0	0.6
U.K.	1.5	7.3	7.1	3.9	-
U.S.S.R.	-	-	-	0.1	-
Other	<u>5.8</u>	<u>5.1</u>	<u>9.7</u>	<u>-</u>	<u>-</u>
Item 14.1, debit	54.2	58.2	73.6	60.5	41.0

9/30/67

Answers to Questions on the Iranian Balance of Payments

1. Oil exports:- See explanation on the balance of payments of Iran for the years 1341-1345.

2. Other exports:- The adjustments for exports for the years 1341-1342 include an estimate for the under-valuation of exports during these years. However during the last three years it is believed that the customs statistics have become more reliable.

The valuation of Iranian exports in trade statistics is based on the international market prices.

3. Imports:- The figures for goods purchased abroad by Iranian travellers except that for 1344, are estimated. However, we have excluded the import of cars from the said imports since the majority of cars are resold in Iran. No estimate could be supplied for the years 1341-1342.

4. Freight:- Credit entries, for other transportations, represent passenger fares received by Iranian carriers, port disbursements by foreign carriers and sales of bunker fuel to foreigners. No information is available on freight received by Iranian carriers. The data on port disbursements of Iranian carriers are also not available.

5. Direct investment income:- See the balance of payments of Iran for the years 1341-1345 and attached tables.

6. Other investment income:- It is confirmed that the interest payments on long-term official loans amounted to \$18.2 million for 1343.

7. Government receipts from abroad:- Regarding the government receipts from abroad no information could at present be supplied.

8. Government expenditures abroad:- The item includes the Ministry of War expenditures which is met partly by the foreign loans.

9. Other services:- Item 8.1 Oil Consortium services refers to the gregorian years and it does not include salary remittances abroad by the Consortium's employees.

10. US assistance to Iran:- We confirm the procedure adopted by you.



11. Direct Investment Capital:- Please see note on oil sector investment in our new draft.

12. Other direct investment:- Please see our note to item 11.2. Further information is not available.

13. Loans received by the private sector and the Central Government:- Regarding the loan transactions by the private sector our information refers only to the loan received by IMDBI. We would appreciate it if you would let us know the sources of Iranian private sector foreign loans referred to in your note.

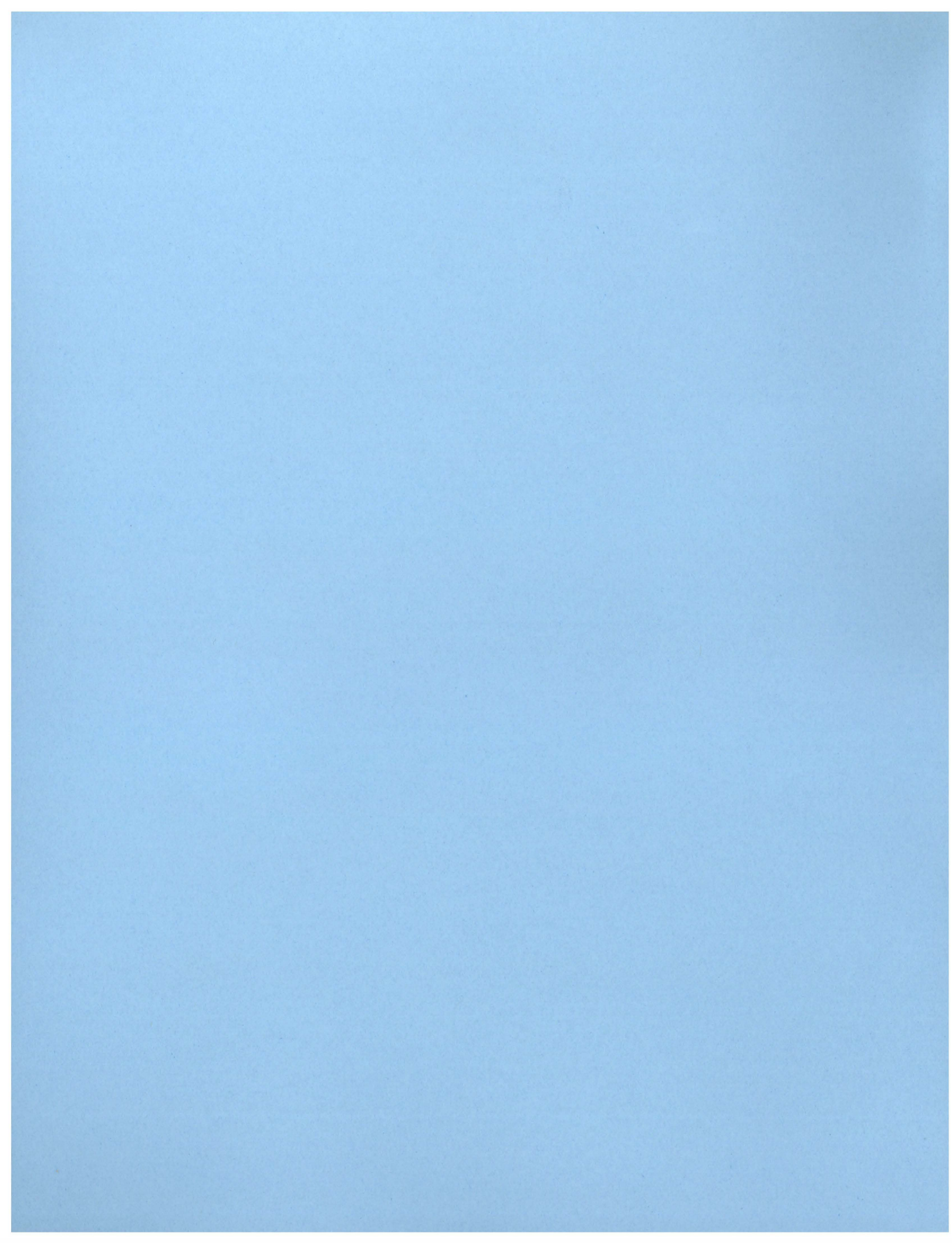
Regarding the official loans, please see our new draft of the balance of payments.

14. Suppliers credits:- As it is difficult to separate the central government foreign loans and credits, we have merged these two items in our new draft. For further information please see the tables on foreign official loan and credits in our draft.

15. US Government rial holdings:- As we have not received any new information on the US Government rial holdings, your data has been used in our draft.

16. Transaction with the International organizations:- Regarding the IBRD rial holdings resulting from the encashment of non-interest bearing demand notes, your procedure is confirmed. For subscription to the IBRD and IDA see the notes on the item 14.4 in our new draft.

17. Commercial banks assets and liabilities:- It should be noted that the IFS figures on the Iranian commercial banks assets and liabilities could not at present be reconciled with those in our balance of payments.



Some Financial Aspects of the 1954 Oil Agreement  
and the Supplemental Agreement of 1964 and its  
implementation during 1962-1966

PART I - The Financial Aspects

The Agreement between Iran and the Consortium members<sup>(1)</sup> regarding the exploration, production, refining and sale of crude oil and petroleum products contains certain financial clauses which are of great importance in valuing the exports of petroleum and its derivatives from Iran as well as evaluating the amount of direct investment carried out by the Consortium members in Iran. These data are required for the proper presentation of Iran's Balance of International Payments as well as making a more accurate estimate of the Oil Industry's share in the Gross National Product of Iran.

For purposes of clarification certain terms which will be discussed in this paper will be briefly defined, although a more detailed and exact definition can be found in Articles I, 18 and 50 of the 1954 Agreement.

- 1- N.I.O.C. means the National Iranian Oil Company which has the sole right of exploring for and producing oil in Iran and which may delegate such right to other parties subject to the approval of parliament.
- 2- Consortium members are the Second parties to the 1954 Agreement and their names and shareholding appears in Appendix I.
- 3- "Trading Companies" are the subsidiaries of the Consortium members to whom the right of purchase and resale of oil and petroleum products has been assigned by the Consortium members.

---

1- A list of the original Consortium members and their subsequent change is given in Appendix I.

- See also 6.*
- 4- "Iranian Oil Exploration and Producing Company" shortly referred to as the "Producing Company" is a company established under the laws of the Netherlands, and registered in Iran, operating for and on behalf of the Trading Companies for the purpose of exploring, producing and transporting crude petroleum in the Agreement Area.
- 5- "Iranian Oil Refining Company" shortly referred to as the Refining Company is a company established under the laws of the Netherlands and registered in Iran, operating for and on behalf of the Trading Companies for the purpose of refining crude oil produced by the Producing Company.
- 6- "Operating Companies" is a term used for the Producing and Refining Companies.
- 7- "Stated Payment" is a  $12\frac{1}{2}$  per cent Royalty paid by the Trading Companies on the quantities of crude oil exported and delivered to refinery on their account based on the value of such crude oil at the applicable posted price.
- 8- "Effective Date" is the date on which the 1954 Agreement was signed by the second and third parties and duly ratified by the Iranian Government.

#### Compensation

After the Nationalization of oil in Iran, all the properties of the former Anglo-Iranian Oil Company which was the sole concessionary of oil production in the southern part of Iran, became vested in the National Iranian Oil Company. After the 1954 Agreement, it was agreed between Iran

as the first party, the Consortium members as the second party and the Anglo-Iranian Oil Company as the third party, that although the oil installations were the property of N.I.O.C., the Consortium members had unrestricted right of use of these installations during the lifetime of the agreement with the exception of the internal distribution assets, the Kermanshah Refinery, and the Naft-i-Shah Oilfield which would thenceforth be operated by N.I.O.C. (1)

Since if the 1949 Supplemental Agreement had been implemented, Iran's revenue would have increased prior to the disruption of the flow of oil, to the extent of £51 million and since the value of the above assets which would henceforth be operated by N.I.O.C. were valued at £76 million, it was agreed that Iran should pay the former Anglo-Iranian Oil Company, the sum of £25 million <sup>(£27 million)</sup> in ten equal instalment beginning January 1, 1957 as full and final settlement of all claims and counter-claims between Iran and the former Anglo-Iranian Oil Company. (2)

Furthermore, it was agreed that the value of oil installation in the fields as well as the refinery at Abadan valued respectively at £26 million and £41 million (3) should be written off as operating costs during a ten year period following commencement of operations and the proceeds of such depreciation charges "shall be disposed of by the Operating Companies as they see fit". (4) In other words although Iran would not formerly compensate the former Anglo-Iranian Oil Company for the oil installations taken over, which were later to be operated by the Consortium members, the depreciation charges for these assets would be included in operating costs thus decreasing the taxable income to

---

(1) Article 6A of Part I and the Preamble of Part II of the 1954 Agreement.

(2) Article 1 of Part II of the 1954 Agreement.

(3) It appears that sometime prior to 1961, for which period the Operating Companies' balance sheets were not available to the writer, a transfer and revaluations of assets at fields and Abadan Refinery took place with the agreement of the Operating Companies and the approval of the Iranian Government, since the value of these assets is reported at £23.71 million by the Producing Company and at £42.34 million by the Refining Company making a total of £66.05 million as against £67 million provided in the Agreement.

(4) Article 6 paragraph D Section 1 of the 1954 Agreement.

that extent. Another way of appraising this situation would be to consider the fact that Iran had received an interest free loan amounting to £67 million at the time of signing the agreement, the repayment of which loan would take place over a ten year period and would be included as part of the operating costs of the Trading Companies. Thus, in fact half of this loan would have been paid out of Iran's income tax and the other half from Consortium members' investment income. Although the Agreement is not explicit in dealing with the question of how these repayments were disposed off, it is a fair assumption that they were paid to the former Anglo-Iranian Oil Company.

In addition, the value of materials and stocks which were in existence at the time of Nationalization were to be treated in the same manner as the oil installation. That is, those materials that were used and could properly be treated as operating costs were to be so dealt with and the proceeds of these changes were to be disposed of by the Operating Companies as they saw fit. Those materials and stocks of goods that could properly be treated as Capital Expenditure were to be so treated and were to be written off over a ten year period and the proceeds of such charges were to be disposed of by the Trading Companies as they saw fit, presumably these charges were paid to the former Anglo-Iranian Oil Company. There is no estimate of the value of these stocks and materials in the agreement and detailed company accounts would be required to arrive at a realistic value.

Finally, Consortium members, other than the former Anglo-Iranian Oil Company, agreed to pay the latter a compensation amounting to \$600.7 million (£214.5 million), of which \$90.7 million (£32.4 million) was paid within 12 months of signing the agreement and the rest amounting to \$510 million would be paid as a levy of 10 Cents per barrel of crude and products exported by the other Consortium members during a period not exceeding 20 years. (1)

---

(1) Moody's Municipal and Government Manual 1966.

Sir Anthony Eden's Memories "Full Circle" 1960, page 218.

*at the most*  
 £25  
 AB

Thus it can be seen that the former Anglo-Iranian Oil Company received or will receive approximately £357.5 million (\$1,001 million) for relinquishing 60 per cent of its concession in the Agreement Area as well as some oil installations which were an over to Iran for operations. For further clarification the above sum is the total of the following:

- £51 million - being the waiver of claims on the part of Iran for unremitted revenues which would have accrued if the 1949 Supplemental Agreement had been implemented.
- £25 million - being compensation paid by Iran from 1957 to 1966.
- £67 million - being the value of assets in the oil fields and at Abadan Refinery which would be depreciated over a ten year period and the depreciation charges would, presumably have been paid to the former Anglo-Iranian Oil Company.
- £214.5 million - being compensation paid by the other Consortium members to the former Anglo-Iranian Oil Company and its successor, the British Petroleum Company over a period not exceeding twenty years.

On the basis of the above, one can arrive at a figure of £500 million<sup>(1)</sup> (\$1,400 million) as being the value of the assets and concession rights which were in existence at the time the 1954 Agreement was signed. Up to the end of 1966, approximately 4,860 million barrels of crude oil was delivered to the Trading Companies, and it is envisaged that if the present trend of production continues the payment of 10 Cent per barrel by the other Consortium members to the British Petroleum Company will be discontinued sometime within the next four or five years, making their future operations more profitable.

---


$$(1) \text{ £500} = \text{£ } 76 + 67 + \frac{100(214.5)}{60}$$

New Investment

Sections B and E of Article 6 of the 1954 Agreement provide for the installation of new capital equipment by the Operating Companies for the implementation of their basic functions. Such new installation will be the property of the N.I.O.C. but the Operating Companies have the unrestricted right of use of these assets. The cost for the installation of such new assets shall be borne by the Operating Companies, through an advance received from the Trading Companies, and this cost shall be deemed as an interest-free loan to N.I.O.C. repayable in ten equal annual instalments or such annual instalments as will suffice to write-off the loan during the remaining life of the Agreement. The fixed assets charges through which this loan will be repayable will be included in the operating costs of the respective Operating Companies.

Article 7 of the Agreement provides for a similar treatment for the acquisition of land required by the Operating Companies. However, the period through which loans received by N.I.O.C. for purchase of land will be repayable is twenty years or the remaining life of the Agreement, whichever is the lesser.

According<sup>17</sup> to Article of the Agreement, N.I.O.C. has been assigned the responsibility of performing non-basic functions which are required by the Operating Companies in support of their operations. Such functions are detailed in Section B of the said Article and include inter-alia; housing estates; medical and health services; industrial and technical training and education; welfare facilities; public transport; provision, maintenance and administration of warehouses, etc.

Furthermore, section D of this Article provides that the capital required for the performance of these non-basic functions should be provided in equal parts by N.I.O.C. and the respective Operating Companies. The part provided by the Operating Companies being treated in the same way as assets required for basic operations, i.e. it being considered as a loan to N.I.O.C. and its repayment being provided for as fixed and other assets charges credited to the Operating Costs. However, up to the end of 1966, the full costs of purchasing non-basic assets has been borne by the Operating Companies.

*This means that the loan is an advance payment for rent*

*See above*



Had N.I.O.C. provided the capital for its share of non-basic assets, it would have been permitted to charge the Operating Companies a fixed assets charge equal to the non-basic assets charge credited to N.I.O.C. for that year by the relevant Operating Company in respect of the same assets.

#### Oil Prices and Iran's Revenue

Article 25, Section A provides that the Trading Companies shall publish Posted Prices for each point of export from Iran and for each quality and quantity of its crude oil and Iran is entitled to verify that the Posted Prices are applicable to Iranian crude oil available to buyers generally. Section D of the same Article provides that Iran in consultation with the Trading Companies may approve rates and formulas for discounts to be applied to the Posted Prices for such periods as it may prescribe.

According to Section B of Article 25, Trading Companies are required to buy and sell crude oil and petroleum products in Iran and it is on this basis that their net income is taxed in Iran. The gross receipts of the Trading Companies from such sales in any one year should not be less than the following:

1- a sum equal to the value at the applicable posted price of all crude oil (including crude oil taken in kind by N.I.O.C. in lieu of cash as Stated Payments) exported from Iran by the Trading Companies or their customers.

Plus

2- The aggregate of the following:-

a. a sum equal to the value at the applicable posted price of all crude oil delivered to refinery on account of trading companies and,

b. a sum equal to the aggregate of the Refining Company's fee for refining the crude oil so delivered and the amount of its operating costs in respect thereof, and

c. a sum, which when added to such fee as aforesaid gives the result equal to the value at the applicable posted price of 5% of the crude oil so delivered<sup>(1)</sup>

(1) The amounts calculated under section C of the above are meant to be the profit from refining operations, and the formula by which this amount is arrived at is known as "Uplift" in the oil trade. Between 1962 and 1966 the method of calculating "Uplift" was to take 98% of the value of products at undiscounted posted price less the applicable posted price of crude and less refinery costs and fees.

## Minus

3. a sum equal to such total discounts as may be applicable under such rates and formulas as Iran may have approved.

Stated Payments

Accordinging to Article 22 and 23 of the Agreement the Trading Companies must pay to N.I.O.C. for quantities of crude oil set out below a Stated Payment or "Royalty Fee" at the rate of  $12\frac{1}{2}$  of the applicable posted price of such crude oil. The quantities of crude oil to which stated payments are applicable are as follows:-

- 1- The quantity of crude oil purchased and sold in Iran by the Trading Companies and
- 2- The quantity of crude oil purchased and delivered to refinery for the account of the Trading Companies
- 3- The quantity of crude oil, delivered to N.I.O. C. as part of Stated Payment in kind instead of cash.

At first glance, it would seem that it would be to Iran's advantage to take the Stated Payment in kind, i.e. crude oil, since it would not only receive the Stated <sup>Payment</sup> on crude oil delivered to the Trading Companies on their own account, but also on the amount that the Trading Companies deliver to Iran as part of the Stated Payment, for presumably Iran could sell the crude oil so delivered at prices no lower than those obtained by the Trading Companies and reap the benefit of the sale of much crude oil, without having to share in only 50 per cent of the net receipts. However, this is, as it were, an optical illusion, for no matter whether the Stated Payment are expressed as part of operating costs, as provided by the Supplemental Agreement of 1964, or they are included as part of the income tax payable to Iran, this fact can be observed from the following four hypothetical situations. There is a built-in incentive for Iran to receive the stated payment in cash rather than crude oil.

Assumption:

Production	1,000 barrels	All cases
Export: Trading Cos	1,000 barrels	Cases A & C
Iran	125 barrels	Cases B & D
Trading Cos.	875 barrels	Cases B & D
Posted Price	\$1.78 per barrel	All cases
Discount	$8\frac{1}{2}\%$ of posted price	Cases C & D
Operating Costs & Fees	18 per barrels	All cases
Stated Payment:		
	Taken in cash	Cases A & C
	Taken in crude oil	Cases B & D
	Expensed as part of operating costs	Cases C & D

Cases	A (cash)	B (kind)	C (cash)	D (kind)
Value of crude oil at posted prices	\$1,780	\$1,780	\$1,780	\$1,780
less discount	-	-	-151.30	-151.30
Operating costs	-180	-180	-180.00	-180.00
Stated payments	-	-	-222.50	-203.60 <sup>(1)</sup>
Taxable Income	\$1,600	\$1,600	1,226.20	1,245.10
Income tax paid to Iran	577.50	577.50	613.10	622.55
Stated payment paid to Iran	-222.50	222.50	222.50	203.60 <sup>(2)</sup>
Iran's total revenue per barrel of crude oil exported	80	80	83.56	82.61
Consortium's Income	800.00	800.00	613.10 ?	622.55 ?
Consortium's Income per barrel of crude oil exported by it	80	91.43	61.31 ?	71.15 ?

*This calculation does not seem to agree with this* → (1) The reason why the amount of Stated Payment deducted as expends differs between cases C & D is that if Iran Opts to take cash as Stated Payment, is paid the Posted Price value of all crude oil exported, whereas if she opts to take crude oil in kind, then the value of such crude oil at Posted Price less the permissable amount of discount is taken as operating costs. ?

(2) In this case, it is assumed that Iran will sell the crude oil taken as Stated Payment at the posted price less  $8\frac{1}{2}\%$  discount, in which case it is to its advantage to obtain the Stated Payment in cash. However, if Iran were able to sell the crude oil taken as Stated Payment at the posted price and giving a discount from the posted price of only 4.25 or less, it will stand to gain from taking the option of obtaining crude oil as part of Stated Payments.

As has been mentioned above, prior to the 1964 Supplemental Agreement, the amount of stated payment paid to Iran, whether in cash or kind, was included as part of the total amount of income tax payable to Iran by the Trading Companies. However, the Supplemental Agreement provides that the stated payments paid to Iran should be expensed as part of operating costs. Furthermore, it was the contention held by the Trading Companies that posted prices were not realistic and in order that they may sell crude oil it was essential for them to give discounts to their buyers. It was therefore, agreed that the following amounts of discounts should be given for the years 1964 to 1966 and thereafter should remain at the 1966 level unless the market-  
ing situation differed to make a change desirable, however, it was agreed that the amount of discount given in the future should not exceed the level agreed for 1964.

<u>Discounts under the 1964 Supplemental Agreement</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
discount from posted prices	8½ per cent	7½ per cent	6½ per cent
deductions from posted prices for every A.P.I. degree of crude oil in excess of 27 A.P.I.	none	0.13235 US	0.2647 US

*meants*

There are indeed two anomalies in the formula agreed for discounts; the first one is that as the rate of discount decreases from one year to the next, the deductions from posted prices for every A.P.I. degree of crude oil in excess of 27 A.P.I. increases, thus decreasing the effective rate of decline in the rate of discounts. The following example will clarify the above statement:-

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Posted price of 34 crude	1.78	1.78	1.78	1.78
Effective price	1.78	1.6287	1.63724	1.64577
Effective Discounts	none	8½ %	8.03%	7.54%

The second anomaly under the above formula is that the price of Light Crude Oil (33-34 A.P.I.) which is more expensive than that of heavy crude oil (27-29 A.P.I.) is reduced to a greater extent than the applicable rate of discount. Thus although according to the above formula the rate of discount is decreased progressively by one percentage point during each year, the effective rate of discount is only reduced by a half a percentage point.

#### Deductible Expenses

The Operating Companies, which in a way act as the Trading Companies' Agents, receive a fee of one shilling per cubic metre of crude oil produced and processed. Furthermore they are entitled to a fee of 5 shillings per ton on bunker fuel supplied to foreign vessels at Abadan and other crude oil loading ports. These two types of fees are the only source of income for the Operating Companies and this income is <sup>d</sup>taxed on a 50 per cent basis. Thus, all costs incurred by the Operating Companies like, administrative, overhead, and establishment expenses, rent, fixed, land, and non-basic assets charges, depreciation of movable plant and equipment, mechanical transport and tools and other operating costs, will be reimbursed by the Trading Companies. Furthermore, the Trading Companies are required to provide the Operating Companies, free of interest, such funds as may be required for marking capital and for the financing of assets and facilities to be used in their operations.

The Trading Companies, are also permitted to include as part of their operating costs, their office and administrative costs which was originally agreed to be not more than 2 per cent of the posted price of crude oil, and as of beginning of 1958, it was reduced to 1 US Cent per barrel of crude oil purchased and sold by Trading Companies in Iran, as well as crude oil delivered to Refinery on account of Trading Companies. This limit was further reduced to  $\frac{1}{2}$  US Cent per barrel after the implementation of the 1964 Supplemental Agreement.

Finally, it should be stated that applicable posted price for crude oil delivered to Refinery is the posted price of crude oil of equivalent quality and gravity offered for sale F.O.B. tankship at Refinery port, less an appropriate loading charge which may not exceed 8d. per cubic metre.

---

#### Products delivered to Iran for Internal Consumption

The Operating Companies are required to deliver to N.I.O.C. such petroleum products and derivatives normally manufactured by them as N.I.O.C. may require for internal consumption in Iran. N.I.O.C. shall pay the Operating Companies for any crude oil produced and delivered on its account to the Refining Company, the respective fee to the Producing Company and the Refining Company as well as a proper allocation of the total operating costs of the Operating Companies.

---

#### Conclusion

As a result of the implementation of the 1954 Oil Agreement between Iran, and the former Anglo-Iranian Oil Company, as well as Iran and the Consortium members, Iran paid the former Anglo-Iranian Oil Company £25 million in ten annual instalments, after having waived its claims on unremitted revenues to the extent of £51, as compensation for the internal distribution assets, the Kermanshah Refinery and the Naft-iShah Oil Field which were taken over and operated by N.I.O.C. as well as distruction of the former Anglo-Iranian Oil Company's operation in Iran.

It was further agreed that a sum of £67 million, being the value of the assets at Abadan Refinery and the installations in the oil fields, should be written off as operating costs during the first ten years of operations, the proceeds being presumably paid to the former Anglo-Iranian Oil Company

Finally, the oil companies joining the Consortium other than the British Petroleum Company agreed to pay the latter £214.5 million, of which £32.4 was paid in the first year of the Agreement and the rest being payable within a period of 20 years at 10 US Cents per barrel from their offtake.

Although the installations in the oil fields and the Abadan Refinery are the property of the National Iranian Oil Company, the Operating Companies have the unrestricted right of use over them during the term of the Agreement. Furthermore, the Trading Companies were to make available to the Operating Companies the financial resources required for their normal operations. Any financial resources made available for the creation of new, additional or substitute fixed or movable assets would be treated as an interest free loan to Iran, repayable in the equal annual instalments, the proceeds being recovered from fixed or other assets ~~charges~~ debited to operating costs. The Agreement provides that non-basic operations in the Agreement Area should be performed by N.I.O.C. and the financial resources required for these operations should be provided in equal parts by N.I.O.C. and the Trading Companies. However, up to the end of 1966 the financial resources required for non-basic operations were provided by the Trading Companies and treated as an interest-free loan repayable over ten years.

The operating costs of the Operating Companies were to be debited to the respective Trading Companies in proportion to their offtake as well as to N.I.O.C. for the amount of petroleum products received for internal distribution. The Operating Companies' only income is their operating & bunkering fees which are taxed by Iran at the rate of 50 per cent.

Stated payments which prior to 1964 were deemed to be part of the Income Tax payable by the Trading Companies to Iran, were thenceforth to be included as part of operating costs of the Trading Companies. Furthermore, discounts from posted prices were permissible as from 1964 on a declining level.

## APPENDIX I

At the time of signing the 1954 Agreement, the Consortium members and their share holding was as follows:

Culf Oil Corporation, Socony Vacuum Oil Company Incorporated (now Socony Mobil Oil Company Inc.), Standard Oil Company (New Jersey), Standard Oil Company of California and the Texas Company (now Texaco Inc.), each with 8 per cent; The British Petroleum Company Limited (then Anglo Iranian Oil Company Limited) with 40 per cent; Bataafse Petroleum Maatschappij N.V. with 14 per cent; and Compagnie Francaise des Petrol with 6 per cent.

Subsequently, as from April 29, 1955, under an arrangement previously agreed to by the Government of Iran and Consortium Companies, one eighth of the percentage interests of each of the original five American Consortium members was transferred to and divided among a further nine American Oil Companies.

These companies were the American Independent Oil Company, the Atlantic Refining Company, Hancock Oil Company (now merged with Signal Oil and Gas Company), Pacific Western Oil Corporation (now Getty Oil Company), Richfield Oil Corporation, San Jacinto Petroleum Corporation, Signal Oil and Gas Company, The Standard Oil Company (Ohio), and Tide Water Associated Oil Company (now Tide Water Oil Company).



The Implementation of the the 1954  
Agreement and the Supplemental  
Agreement of 1964 during the  
years 1962-1966

The major purpose of the present study was to arrive at some more reliable data for inclusion in Iran's Balance of International Payments than was previously available.

There are principally five items in the Global Balance of Payments Summary table that concern the operations of oil companies. These are value of exports, direct investment, disinvestment, changes in net assets or liabilities and investment income.

Exports:

There are basically three methods from which data regarding the value of exports of crude oil and petroleum products can be obtained. The first and most natural one would seem to be data supplied by the Customs Administration. However, since the customs data do not distinguish between the quantity of oil that have been exported by the various oil companies operating in Iran as well as exports by N.I.O.C. and since the value of exports by each group is required in determining its investment income, it was decided not to use these data. The second source would be to multiply the quantity and quality of oil exported by each oil company by the price of such oil products. In the first instance, exact data are not available regarding the various quality of crude oil and petroleum products exported by the oil companies. Secondly, since the international oil market is controlled by oligopolistic companies, actual market prices are not known and posted prices, even if discounts are taken into consideration, may prove to be unrealistic since the producing and exporting oil company may sell its oil to its parent company substantially below its market or true value.

*But the  
total value  
should be  
used for  
comparing  
the individual  
data*

<sup>third</sup>  
The last method, which is rather an indirect one, is to assume that the oil companies' investment income is at least equal to the amount of income tax paid to the Government of Iran. (Under the present income tax laws in Iran, companies operating in the oil and hydrocarbon industry are taxed at the flat rate of 50 per cent of their taxable income.) Thus having arrived at the taxable income, one has to add the deductible expenses in order to arrive at the Gross Value of Crude Oil and Products exported. In the case of the oil Consortium of Iran, these expenses include producing and refining costs as well as respective fees, Trading Companies office and other expenses as well as stated payments paid after 1964. Prior to this date, stated payments were deemed to be part of income tax payable to Iran.

For purpose of comparison, both the second and third method were used in calculating the value of exports for the year 1965, for which period the breakdown of the various types of crude oil exported and delivered to Abadan Refinery were available and "Uplift" of Abadan Refinery was based on the 5% minimum rate. It was found that the value of exports calculated under the second method, i.e. multiplying discounted prices by quantity and adding refining costs, fees and uplift, was only marginally higher (one tenth of one per cent) than calculating the value of exports under the third and indirect method. Thus the indirect method has been used for purpose of this study and it should be noted that prior to 1964, the value of exports arrived at under this method is on the basis of undiscounted posted price and thereafter on the basis of discounted posted price.

#### Direct Investment

Direct investment by oil companies is the amount of capital which they have brought into Iran for the purpose of their operations. This capital may be in the form of capital goods imported, or local expenditure capitalized or foreign exchange converted into local currency for working capital purposes.

The source for the compilation of this type of data is the Iranian Oil Operating Companies' (i.e. the Producing and Refining Companies) balance sheet from which the data gathered in Tables I, II and III have been compiled. As has been stated in Part I any additions to fixed or movable assets by the Operating Companies is treated as an interest free loan to Iran repayable in ten years. Thus, for balance of payments purposes, it would have been possible, theoretically, to treat this type of investment as a loan, however, since the oil operating companies have full degree of control over the management, although not the ownership, of the oil installation the increase in this type of assets is treated as Direct Investment by the oil companies. Furthermore this method of treatment evades the complication of how to deal with fixed assets under construction, since investment in this type of asset is not treated as a loan until such time as it becomes productive. Thus, the first part of Tables I and II shows the amount of new Investment undertaken by the Producing and Refining Companies in different categories of assets and the two totals are combined in Table III to show the Direct Investment in Iran by the Consortium Companies, which totals to £95.6 million (\$267.7) during the last five years.

#### Disinvestment

The 1954 Agreement provides for the repatriation of capital invested in Iran by the oil companies. As has been stated above, all Direct Investment by the oil companies is treated as a loan to Iran and provision for its repayment are made by debiting operating costs with appropriate fixed assets charges in respect of those assets which are in operation over a ten year period. Thus to evaluate the amount of disinvested capital by the oil companies, the sum of fixed assets charges shown in the Operating Companies' balance sheets have been used and are respectively shown in Tables I, II and III. The amount of such disinvestment during the last five years equals £71.7 million (\$200.8 million), thus net new investment during this period amounts to only £23.9 million (\$66.9 million). During 1962 and 1963, the Consortium members showed a net

disinvestment of £14.4 million (\$40.3 million) in their capital investment in Iran. If changes in excess of current assets over current liabilities were also to be taken into account, the above figure for disinvestment would increase to £23.3 million (\$65.3 million). However, this trend was substantially reversed as a result of undertaking the development of two loading ports and capitalizing drilling and exploration costs since 1964.

#### Changes in Net Assets or Liabilities

Since the Trading Companies are required to finance the working capital of the Operating Companies any increase in the latter's current assets is deemed to be an increase in the oil companies Direct Investment. On the other hand, an increase in Operating Companies Liabilities will show a decline in their investment. Thus changes in excess of current assets over current liabilities are shown separately in Tables I, II and III. As can be seen from Table III, the oil operating companies have been increasing their net liabilities during the last five years, the increase being more pronounced in 1962 and 1965. On a net basis, the excess of current assets over current liabilities has decreased by £15.9 million (\$44.5 million) during the last five years. Thus total net investment by the oil companies during the last five years amounts to only £8 million (\$22.4 million).

#### Investment Income

In order to arrive at a true figure for the investment income of oil companies, it is necessary to have the realized and true market prices of crude oil and petroleum products exported by them. Thus, all deductible expenses together with taxes and royalties paid to the Government of Iran would be deducted from the value of such exports to obtain the investment income of the oil companies. However, realized and true market prices of crude oil and petroleum products are not readily available and for this reason, the Investment Income of oil companies is imputed to be equal to the 50 per cent tax which they pay to the Government of Iran. Thus the investment income of the Trading Companies prior to 1964 is equal to the stated payments paid and the amount of taxes paid to the Government of Iran which together amount to 50 per cent of taxable income. After the implementation of the 1964 Supplemental

Agreement, the investment income of the Trading Companies is only equal to the amount of income tax paid to the Government of Iran. As can be seen from Table IV there is a sharp decline in the Trading Companies' investment income between 1963 and 1964 which can be explained by two factors. The first is that during 1963 and in previous years, Iran's income tax receipts was based on posted prices, whereas in fact, it is highly probable that some discounts were given by the Trading Companies in selling the crude oil and petroleum products, thus their investment income would consequently have been reduced. The second factor is that after 1964, Stated Payments were expensed as part of Operating Costs, thus the Trading Companies' share of net taxable income declined since Stated Payments were no longer included as part of the income tax paid to Iran.

#### Summary

Table V shows the main features of the oil Consortium activities in Iran during the past six years. Total net production has increased by 73.59 per cent from 425.6 million barrels to 738.8 million in 1966. Approximately 94.4 per cent of total production in 1966 was for export whereas in 1961, this percentage was slightly lower at 93.4 per cent. Production for internal consumption has increased by only 482 per cent during the period, whereas that for export has risen by 75.4 per cent. It should be noted that figures given in Table V for internal consumption are not total internal consumption since a relatively small quantity of oil is produced in the Naft-i-Shah Oilfield and processed in the Kermanshah Refinery.

Furthermore, the Trading Companies total offtake of crude oil exported and crude delivered to Abadan Refinery does not equal the quantity of crude oil and products exported, since some of the crude oil delivered to Abadan Refinery is lost during refining operations. However, since the basis of calculating Iran's revenue is on the quantities of crude oil delivered to refinery, this figure rather than quantities of petroleum products exported has been used.

Value of crude oil and products exported has increased by only 47.9 per cent during the last six years, whereas quantities produced for export have increased by 75.4 per cent. This relative decline in the value of exports can be explained by several factors. In the first instance 1961 valuations are based on undiscounted posted prices, whereas 1966 prices are based on discounted posted prices. Secondly there has been a relative decline in quantities of crude oil delivered to refinery as compared to the Trading Companies' total offtake for exports. This percentage was reduced from 23.2 per cent in 1961 to 15.7 per cent in 1966. Furthermore, operating costs of the refinery which is relevant in valuing products exported has decreased from 84.5 U.S. Cents per barrel in 1961 to 57.4 U.S. Cents per barrel in 1966.

Iran's total revenue during the period has increased by 92.8 per cent, partly because of increased production and partly because of increased revenue per barrel of offtake, which has increased by approximately 10 per cent despite lower valuation of crude and products exported. Iran's share of oil revenue compared to unit value of offtake has increased from 37.9 per cent to 49.4 per cent during the period.

The Consortium members' investment income during the period has only increased by 43.6 per cent, despite higher increases in production. Several factors should be noted in appraising this figure. In the first instance in 1961 discounts were not accepted by the Government of Iran, thus any discounts given by the Trading Companies would have reduced their investment income in 1961. Secondly, it is improbable that the effective discount of 7.54 per cent permitted by Iran for 1966 exports was actually granted by the Trading Companies, any difference would therefore increase their investment income in that year. Finally, since stated payments were no longer included as part of income tax paid to Iran, and were expensed as part of operating costs, the Consortium members' share of net taxable income has decreased. Thus, Consortium members' share of investment income compared to unit value of offtake has slightly decreased from 37.9 per cent to 36.8 per cent during the period.

Footnotes to Table IV

(1) Although, the Agreement provides for the inclusion of Trading Companies' office and other expenses at a maximum rate of 2% of the posted price of crude oil, in calculating total deductible expenses it was agreed between the Trading Companies and N.I.O.C. as from the beginning of 1958 that this rate should be reduced to 1% of the posted price of crude oil. It was also later agreed, although the exact date is not available, that the maximum of Trading Companies office and other expenses would be equivalent of  $\frac{1}{2}$  of one US Cent per crude barrel of oil delivered to the Trading Companies. This flat rate has been used in the above calculations in the absence of more exact data.

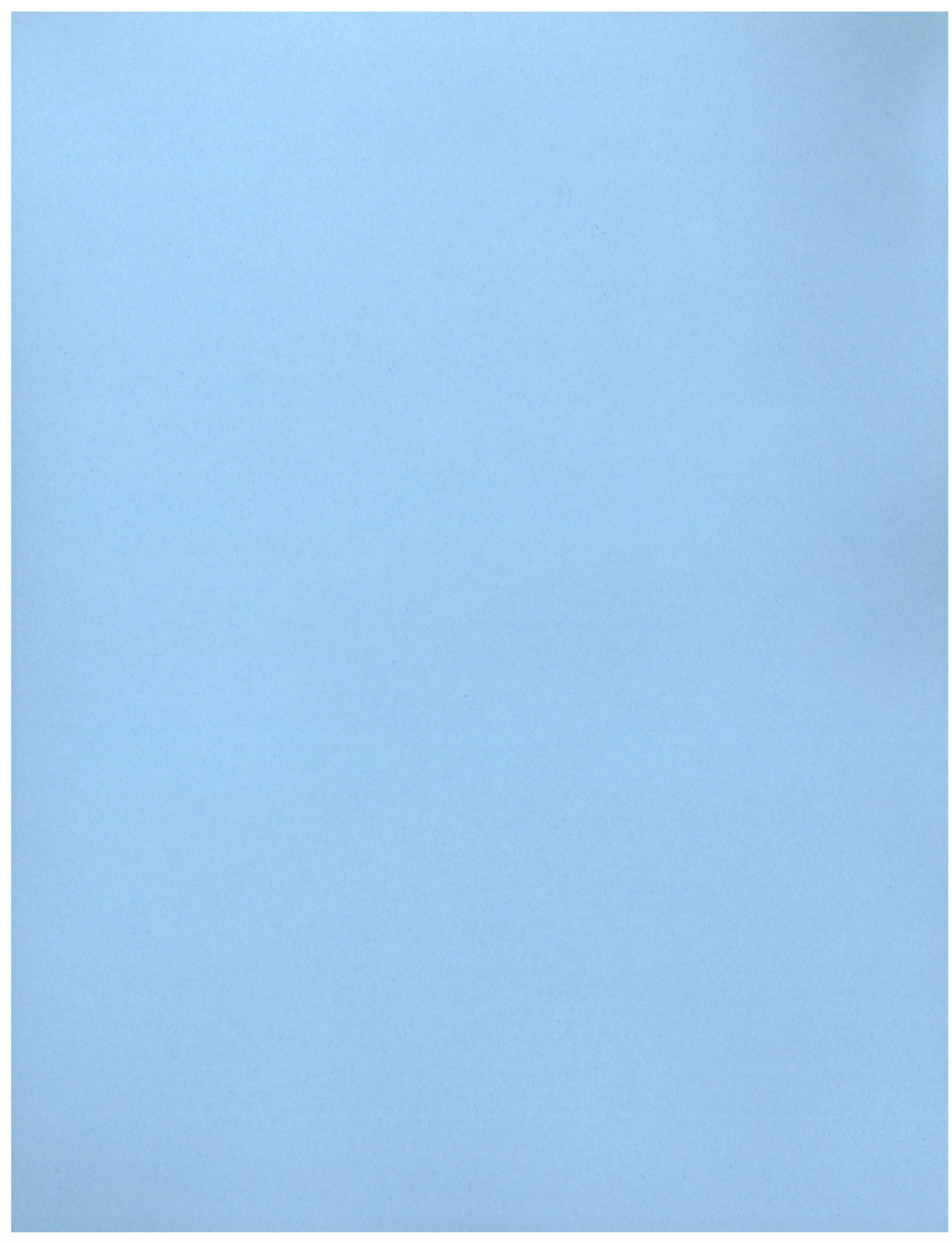
(2) The actual payment in respect of 1961 operations was less by £485,738 than the liability shown above due to overpayment in 1960.

(3) This figure does not include a special payment of £1,785,714 made to the Government of Iran in settlement of the under-measurement of crude oil delivered to Refinery in the years 1955 to 1959. However, £4.8 million received in 1964 on account of changes in accounting of Exploration and Drilling costs have been included.

(4) This figure includes £60,461 received in 1965 on account of having considered 67.7 million barrels of crude oil delivered to the Refinery on account of Trading Companies as 33" A.P.I. whereas it should have truly been 34" A.P.I. The corresponding amount has been deducted from the 1965 figure for stated payments.

(5) Actual payment in respect of operations in 1964 were £125,324,484, however an adjustment for overpayment in 1964 to the extent of £700,000 has been made, as well as the exclusion of £4.8 million received in 1964 on account of changes in accounting Exploration and Drilling Costs which were attributable to operation in 1963 (See note 3 above).

(6) See note 4 above





Deliveries for Domestic Consumption, Exports and Production of Oil Iranian Oil Operating Companies.  
Value of Oil Exports, Iran's Revenue, Consortium., Investment Income, New Investment and Depreciation Charges.

Table v

	1961	1962	1963	1964	1965	1966
National Iranian Oil Company						
Fuel from MIS topping plant	\$6,567	\$5,161	\$4,692	\$8,953	\$9,834	\$11,388
Crude delivered to Abadan Refinery	21,532	21,081	21,266	25,814	27,547	30,243
Total (1)	28,099	26,242	25,958	34,767	37,381	41,631
Trading Companies						
Crude delivered to Abadan Refinery	92,350	109,597	111,442	109,924	109,684	109,571
Crude Exported.	305,181	338,373	388,404	460,273	508,854	587,637
Total (2)	X 397,531	447,970	499,846	570,197	618,538	697,208
Total Net Production Operating Cos. (1+2)	425,630	474,212	525,804	604,964	655,919	738,839
Value of Crude oil & products Exported.	\$ X794,618,698	865,209,024	943,829,757	976,606,246	1,043,339,660	1,175,538,826
Unit value of Offtake by Trading Cos.	\$ 1,999	1,931	1.888	1.713	1.689	1.686
Iran's Total Revenue	\$ 301,301,297	333,577,681	393,284,175	466,797,825	513,311,277	580,921,149
	75.79	74.46	78.68	81.87	82.99	83.32
Consortium Member; Investment Income	\$ 301,301,297	333,577,681	393,284,175	344,720,454	381,373,754	432,703,306
	75.79	74.46	78.68	60.46	61.66	62.06
New Investment	\$ n.a.	27,111,792	13,307,328	65,852,184	100,118,631	61,328,128
Depreciation & Amortization	n.a.	-41,412,064	-39,372,099	-49,321,658	-32,203,410	-38,498,228
Changes in Excess of Current Assets over liabilities.	n.a.	-22,070,157	-2,840,440	-2,116,293	-14,532,697	-2,973,942
Total Net Investment.	n.a.	-36,370,429	-28,905,212	14,414,232	53,382,524	19,855,959

Direct Method of Calculating Value of Crude Oil Exported in 1965,

both on the basis of posted prices and discounted prices

Type of Crude Oil		Posted Price	Discount & Gravity variation	Effective Prices.	Quantity Barrels.	Value at Posted Prices.	Value at Discounted Prices.
Bandar Mah Shahr	34.A.p.I	\$1.78	\$0.1427645	\$1.6372355	\$501,430,231	\$536,545,812	\$493,512,275
Kharg	34.A.P.I	\$1.79	\$0.1435145	\$1.6464855	11,432,935	20,464,954	18,824,162
Kharg	34.A.P.I	\$1.794	\$0.1438145	\$1.6501855	300,782	539,603	496,346
Kharg	31.A.P.I	\$1.63	\$0.1275440	\$1.5024560	195,689,601	318,974,050	294,015,015
Value of Crude Oil Exported					508,853,549	876,524,418	806,843,798
Producing Costs						-72,246,913	-72,246,913
Producing Fee						-11,325,860	-11,325,860
Office & Other Expenses						- 2,544,268	- 2,544,268
Stated Payments							-109,565,552
Taxable Income						790,407,377	611,165,205
Stated Payments						109,565,552	
Income Tax Trading Cos.						285,638,137	305,582,603
Income Tax Producing Cos.						8,184,635	8,184,635
Oil Consortiums Investment Income from Crude Oil Exported.						403,388,324	313,767,238
Iran's Total Income from Crude Oil Exported.						403,388,324	423,332,790

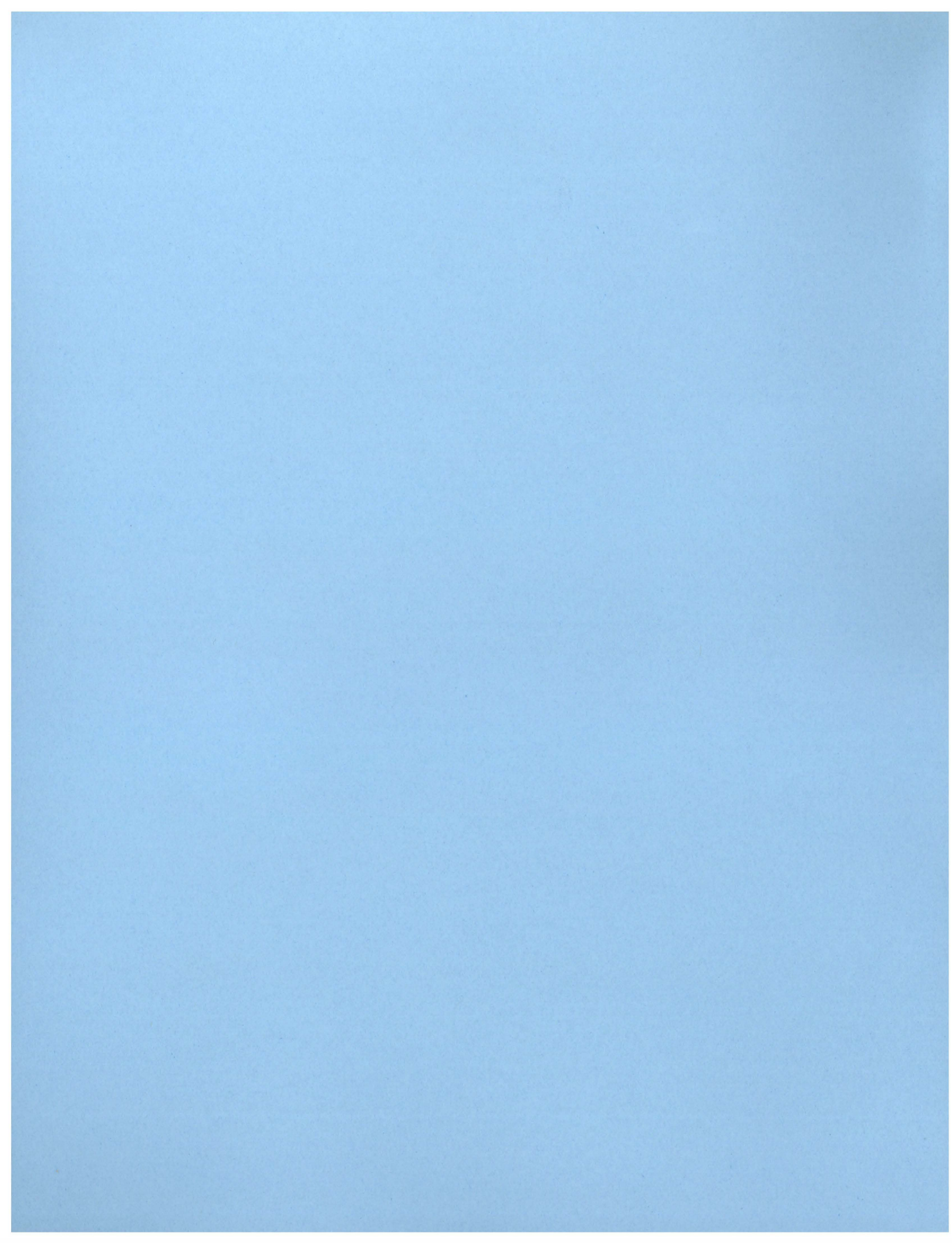


TABLE 1v

Operating Costs, Iran's Revenue and Consortium Members' Investment Income from  
Oil Operation in Iran 1961-1966.

		1961	1962	1963	1964	1965	1966
Refinery Costs.	£	29,012,453	28,876,549	25,949,215	25,600,565	21,915,574	22,818,027
Refinery Fee.	£	734,125	871,232	885,902	873,833	871,978	870,915
Trading Companies' Office & other Expenses. (1)	£	329,818	391,414	398,006	196,292	195,875	195,637
Operating Costs.	£	39,065,956	41,227,490	29,455,286	33,514,580	31,365,635	35,080,441
Operating Fee.	£	3,160,136	3,561,096	3,973,487	4,532,730	4,917,065	5,542,356
Trading Companies' Office & other Expenses (1)	£	1,089,924	1,208,466	1,387,146	821,910	908,660	1,049,343
Stated Payments.	£	-	-	-	43,599,061 (4)	47,120,544 (6)	52,934,944
Total deductible expenses.	£	73,392,412	76,136,247	62,049,042	109,138,977	107,295,331	118,491,663
Stated Payments.	£	30,700,896	34,499,335	38,302,157	-	-	-
Income Tax Paid by Trading Companies.	£	74,499,094 (2)	81,934,153	99,214,350 (3)	119,824,484 (5)	132,662,988	150,671,816
Investment Income of Trading Companies.	£	105,199,990	116,433,489	137,516,507	119,824,484	132,662,988	150,671,816
Deemed Gross Value of Oil Shipments.	£	293,792,392	309,003,223	337,082,056	348,787,945	372,621,307	419,835,295
<b>Iran's Revenue:</b>							
Stated Payments.	£	30,700,896	34,499,335	38,302,157	43,599,061	47,120,544	52,934,944
Trading Co. Income Tax.	£	74,499,094	81,934,153	99,214,350	119,824,484	132,662,988	150,671,816
Producing Co. Income Tax.	£	1,888,947	2,101,393	2,339,976	2,682,058	2,923,084	3,232,537
Refining Co. Income Tax.	£	518,669	600,005	602,151	607,906	618,840	632,542
Total.	£	107,607,606	119,134,886	140,458,634	166,713,509	183,325,456	207,471,839
<b>Consortium Members' Investment Income.</b>							
Trading Co.	£	105,199,990	116,433,488	137,516,507	119,824,484	132,662,988	150,671,816
Producing Co.	£	1,888,947	2,101,393	2,339,976	2,682,058	2,923,084	3,232,537

	1961	1962	1963	1964	1965	1966
Refinery Costs.	£ 29,012,453	28,876,549	25,949,215	25,600,565	21,915,574	22,818,027
Refinery Fee.	£ 734,125	871,232	885,902	873,833	871,978	870,915
Trading Companies' Office & other Expenses. (1)	£ 329,818	391,414	398,006	196,292	195,875	195,637
Operating Costs.	£ 39,065,956	41,227,490	29,455,286	33,514,580	31,365,635	35,080,441
Operating Fee.	£ 3,160,136	3,561,096	3,973,487	4,532,730	4,917,065	5,542,356
Trading Companies' Office & other Expenses (1)	£ 1,089,924	1,208,466	1,387,146	821,910	908,660	1,049,343
Stated Payments.	£ -	-	-	43,599,061 (4)	47,120,544 (6)	52,934,944
Total deductible expenses.	£ 73,392,412	76,136,247	62,049,042	109,138,977	107,295,331	118,491,663
Stated Payments.	£ 30,700,896	34,499,335	38,302,157	-	-	-
Income Tax Paid by Trading Companies.	£ 74,499,094 (2)	81,934,153	99,214,350 (3)	119,824,484 (5)	132,662,988	150,671,816
Investment Income of Trading Companies.	£ 105,199,990	116,433,489	137,516,507	119,824,484	132,662,988	150,671,816
Deemed Gross Value of Oil Shipments.	£ 283,792,392	309,003,223	337,082,056	348,787,945	372,621,307	419,835,295
<u>Iran's Revenue:</u>						
Stated Payments.	£ 30,700,896	34,499,335	38,302,157	43,599,061	47,120,544	52,934,944
Trading Co. Income Tax.	£ 74,499,094	81,934,153	99,214,350	119,824,484	132,662,988	150,671,816
Producing Co. Income Tax.	£ 1,888,947	2,101,393	2,339,976	2,682,058	2,923,084	3,232,537
Refining Co. Income Tax.	£ 518,669	600,005	602,151	607,906	618,840	632,542
Total.	£ 107,607,606	119,134,886	140,458,634	166,713,509	183,325,456	207,471,839
<u>Consortium Members' Investment Income.</u>						
Trading Co.	£ 105,199,990	116,433,488	137,516,507	119,824,484	132,662,988	150,671,816
Producing Co.	£ 1,888,947	2,101,393	2,339,976	2,682,058	2,923,084	3,232,537
Refining Co.	£ 518,669	600,005	602,151	607,906	618,840	632,542
Total.	£ 107,607,606	119,134,886	140,458,634	123,114,448	136,204,912	154,536,895

Source: Operating Companies' Balance Sheets and data supplied by the Operating Companies.

See attached page for explanation of footnotes.

TABLE 3

## IRANIAN OIL OPERATING COMPANIES

New Investment, Depreciation &amp; Amortization Charges, Changes in Net Assets and Total Net Investments 1962-1966.

		1962	1963	1964	1965	1966	1962-66
<b>New Investment:</b>							
Refining Company.	£	4,575,875	2,846,448	1,311,833	4,056,822	14,883,899	27,674,877
Producing Company.	£	5,106,908	1,906,169 12.7	22,206,804 11.4	31,699,832	7,019,004	67,938,717
<b>Total (1)</b>	£	9,682,783	4,752,617	23,518,637	35,756,654	21,902,903	95,613,594
<b>Depreciation &amp; Amortization:</b>							
Refining Company.	£	5,660,002	6,576,206	6,914,425	2,832,956	6,316,266	28,300,355
Producing Company.	£	9,130,021	7,484,758	10,700,453	8,668,262	7,433,101	43,416,595
<b>Total (2)</b>	£	14,790,023	14,061,464	17,614,878	11,501,218	13,749,367	71,716,950
	£	41,412,064	39,372,099	49,321,658	32,203,410	38,498,228	200,807,460
<b>Net Investment (1-2)</b>	£	-5,107,240	-9,308,847	5,903,759	24,255,436	8,153,536	23,896,644
	£	-14,300,272	-26,064,772	16,530,525	67,915,221	22,829,901	66,910,603
<b>Less Changes in:</b>							
<b>Long-term receivable:-</b>							
Refining Company	£	-	-	-	1,033,862	624,026	1,657,888
Producing Company	£	-	-	1,345,839	-113,528	83,371	1,315,682
<b>Excess of Current Assets over Current Liabilities:</b>							
Refining Company	£	-2,798,944	-468,776	1,542,221	-2,311,643	-3,279,360	-7,316,502
Producing Company	£	-5,083,255	-545,667	-3,643,879	-3,798,940	1,509,841	-11,561,900
<b>Total (3)</b>	£	-7,882,199	-1,014,443	-755,819	-5,190,249	-1,062,122	-15,904,832
	£	-22,070,157	-2,840,440	-2,116,293	-14,532,697	-2,973,942	-44,533,530

New Investment:

Refining Company.	£ 4,575,875	2,846,448	1,311,833	4,056,822	14,883,899	27,674,877
Producing Company.	£ 5,106,908	1,906,169	22,206,804	31,699,832	7,019,004	67,938,717
<b>Total (1)</b>	£ 9,682,783	4,752,617	23,518,637	35,756,654	21,902,903	95,613,594
<u>Depreciation &amp; Amortization:</u>	£ 27,111,792	13,307,328	65,852,184	100,118,631	61,328,128	267,718,061
Refining Company.	£ 5,660,002	6,576,206	6,914,425	2,832,956	6,316,266	28,300,351
Producing Company.	£ 9,130,021	7,484,758	10,700,453	8,668,262	7,433,101	43,416,595
<b>Total (2)</b>	£ 14,790,023	14,061,464	17,614,878	11,501,218	13,749,367	71,716,950
	£ 41,412,064	39,372,099	49,321,658	32,203,410	38,498,228	200,807,464
<u>Net Investment (1-2)</u>	£ -5,107,240	-9,303,547	5,903,759	24,255,436	8,153,536	23,896,644
	£ -14,300,272	-26,064,772	16,530,525	67,915,221	22,829,901	66,910,603
<u>Less Changes in.</u>						
Long-term receivable:-						
Refining Company	£ -	-	-	1,033,862	624,026	1,657,888
Producing Company	£ -	-	1,345,839	-113,528	83,371	1,315,682
Excess of Current Assets over Current Liabilities:						
Refining Company	£ -2,798,944	-468,776	1,542,221	-2,311,643	-3,279,360	-7,316,502
Producing Company	£ -5,083,255	-545,667	-3,643,879	-3,798,940	1,509,841	-11,561,904
<b>Total (3)</b>	£ -7,882,199	-1,014,443	-755,819	-5,190,249	-1,062,122	-15,904,833
	£ -22,070,157	-2,840,440	-2,116,293	-14,532,697	-2,973,942	-44,533,530
<b>Total Net Investment (1-2)+3</b>	£ -12,989,439	-10,323,290	5,147,940	19,065,187	7,091,414	7,991,812
	£ -36,370,429	-28,905,212	14,414,232	53,382,524	19,855,959	22,377,074

Source: Tables 1&2

TABLE 2

IRANIAN OIL REFINING COMPANY  
New Investment, Depreciation charges, Changes in Net Assets. and Total Net Investments 1962-1966

New Investment.	1962	1963	1964	1965	1966	1962-66
	£	£	£	£	£	£
Basic Fined Assets.	4,199,707	1,735,987	917,591	2,306,673	5,445,569	14,605,527
Non basic Fined Assets.	2,378,158	2,065,144	512,236	555,713	466,319	5,977,570
Land Assets.	-	-	-	1,141	1,164	2,305
Assets Under Construction Basic	-1,911,785	-93,654	20,256	1,271,755	8,497,156	7,783,728
" " " Non- basic	- 383,900	-835,824	-94,783	-212,121	51,956	-1,474,672
Moveable Assets	293,695	-25,205	-43,467	133,661	182,731	541,415
Investments at Cost.	-	-	-	-	239,004	239,004
Total (1)	4,575,815	2,846	1,311,833	4,056,822	14,883,899	27,674,877
<b>Depreciation of:</b>						
Assets existing at effective date	4,234,000	4,234,000	4,234,000	-	-	12,702,000
Assets created post- effective date basic	507,849	969,100	1,033,982	1,145,231	4,690,309	8,346,472
" " " " Non- basic	778,907	1,069,573	1,276,030	1,327,199	1,390,396	5,842,105
" " " " Land	123	122	122	122	279	768
Moveable Assets	139,123	303,910	370,291	360,404	235,282	1,409,010
Total (2)	5,660,002	6,576,706	6,919,425	2,832,956	6,316,266	28,300,355
Net Investment (1-2)	-1,084,127	-3,730,860	-5,602,592	1,223,866	8,567,633	-625,478
Less Changes in:						
Long - term receivables	-	-	-	1,033,862	624,026	1,657,888
Excess of Current Assets Over Current Liabilities.	-2,798,944	-468,776	1,542,221	-2,311,643	-3,279,360	-7,316,502



	1961	1962	1963	1964	1965	1966	1962-66
	£	£	£	£	£	£	£
Basic Fixed Assets.	4,199,707	1,735,987	917,591	2,306,673	5,445,569	14,605,527	
Non basic Fixed Assets.	2,378,158	2,065,144	512,236	555,713	466,319	5,977,570	
Land Assets.	-	-	-	1,141	1,164	2,305	
Assets Under Construction Basic	-1,911,785	-93,654	20,256	1,271,755	8,497,156	7,783,728	
" " " Non- basic	- 383,900	-835,824	-94,783	-212,121	51,956	-1,474,672	
Moveable Assets	293,695	-25,205	-43,467	133,661	182,731	541,415	
Investments at Cost.	-	-	-	-	239,004	239,004	
Total (1)	4,575,815	2,846	1,311,833	4,056,822	14,883,899	27,674,877	
<u>Depreciation of:</u>							
Assets existing at effective date	4,234,000	4,234,000	4,234,000	-	-	12,702,00	
Assets created post- effective date basic	507,849	969,10	1,033,982	1,145,231	4,690,309	8,346,472	
" " " " Non- basic	778,907	1,069,573	1,276,030	1,327,199	1,390,396	5,842,105	
" " " " Land	123	12	122	122	279	768	
Moveable Assets	139,123	303,510	370,291	360,404	235,282	1,409,010	
Total (2)	5,660,002	6,576,706	6,919,425	2,832,956	6,316,266	28,300,355	
Net Investment (1-2)	-1,084,127	-3,73,58	-5,602,592	1,223,866	8,567,633	-625,478	
Less Changes in:							
Long - term receivables	-	-	-	1,033,862	624,026	1,657,888	
Excess of Current Assets Over Current Liabilities.	-2,798,944	-468,776	1,542,221	-2,311,643	-3,279,360	-7,316,502	
Total Net Investment.	-3,883,071	-4,197,034	-4,060,371	-53,915	5,912,299	-6,284,092	

Source: Refining Company's Balance Sheets 1961-1966

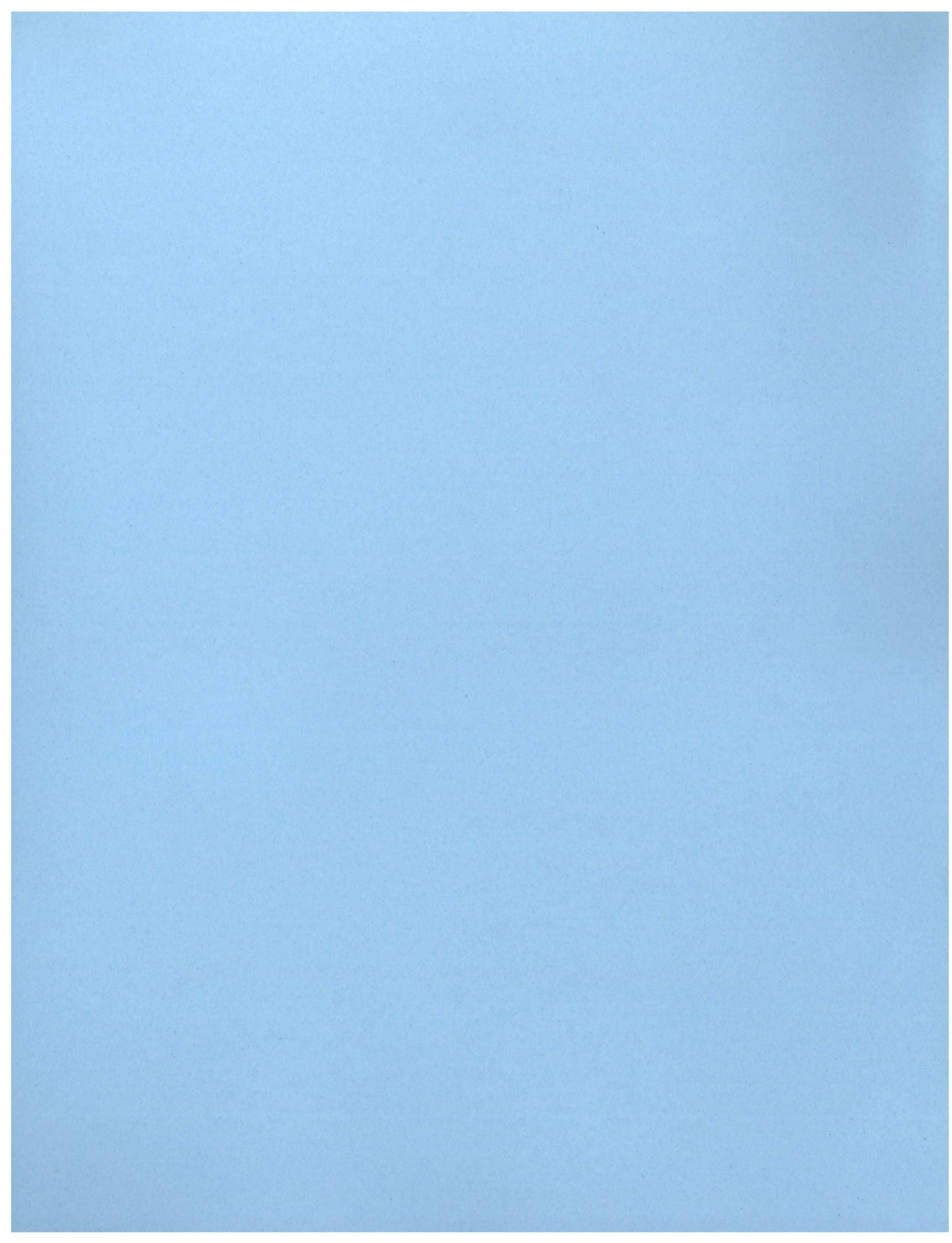
TABLE 1

## IRANIAN OIL EXPLORATION &amp; PRODUCING COMPANY.

New Investment, Depreciation &amp; Amortization Charges, Changes in Net Assets and Total Net Investments 1962-1966

	1962 £	1963 £	1964 £	1965 £	1966 £	1962-66. £
<u>New Investment</u>						
Basic Fixed Assets.	3,381,417	2,835,332	4,557,470	19,912,842	11,595,935	42,282,996
Non basic Fixed Assets	665,465	935,076	817,652	1,034,852	648,200	4,101,245
Land Assets	61,472	14,453	26,296	123,851	75,741	301,813
Assets Under Construction Basic	591,489	291,120	2,794,754	6,651,425	-8,787,075	1,541,713
" " " Non-basic	99,995	-152,461	280,427	-177,702	81,684	131,948
Exploration & Drilling Exploration Capitalised	-	-	14,982,497	4,584,842	3,399,784	-22,967,123
Moveable Assets.	307,070	-2,017,351	-1,252,292	-430,278	4,730	-3,388,121
Total (1)	5,106,908	1,906,169	22,206,804	31,699,832	7,019,004	67,938,717
<u>Depreciation &amp; Amortization of:</u>						
Assets existing at Effective Date	2,371,000	2,371,000	2,311,000	-	-	7,113,000
Assets created post-Effective date Basic	4,464,472	4,777,291	5,003,038	5,530,133	4,004,378	23,784,312
" " " Non-basic	1,141,407	1,200,184	1,358,807	1,390,133	1,473,817	6,564,348
" " " Land	2,216	4,540	6,795	8,484	17,451	39,486
Exploration & Drilling Expenditure Amortization	-	-	2,400,357	1,866,832	2,261,707	6,528,896
Moveable Assets	1,150,926	-868,25	-439,544	-127,320	-329,252	-613,447
Total (2)	9,130,021	7,484,5	10,700,453	8,668,262	7,433,101	43,416,595
<u>Net Investment (1-2)</u>	-4,023,113	-5,578,589	11,506,351	23,031,570	-414,097	24,522,122
<u>Less Changes in:</u>						
Long-term receivables	-	-	1,345,839	-113,528	83,371	1,315,682
Excess of Current Assets over Current Liabilities	-5,083,255	-545,667	-3,643,879	-3,798,940	1,509,841	-11,561,900

	£	£	£	£	£	£
Basic Fixed Assets.	3,381,417	2,835,332	X 4,557,470	19,912,842	11,595,935	42,282,99
Non basic Fixed Assets	665,465	935,076	817,652	1,034,852	648,200	4,101,24
Land Assets	61,472	14,453	26,296	123,851	75,741	301,81
Assets Under Construction Basic	591,489	291,120	X 2,794,754	6,651,425	-8,787,075	1,541,713
" " " Non-basic	99,995	-152,461	280,427	-177,702	81,684	131,948
Exploration & Drilling Exploration Capitalised	-	-	14,982,497	4,584,842	3,599,784	-22,967,12
X Moveable Assets.	307,070	-2,017,351	-1,252,292	-430,278	4,730	-3,388,1
Total (1)	5,106,908	1,906,169	22,206,804	31,699,832	7,019,004	67,938,71
<u>Depreciation &amp; Amortization of:</u>						
Assets existing at Effective Date	2,371,000	2,371,000	X 2,311,000	-	-	7,113,000
Assets created post-Effective date Basic	4,464,472	4,777,291	X 5,003,038	5,530,133	4,004,378	23,784,312
" " " " Non-basic	1,141,407	1,200,184	1,358,807	1,390,133	1,473,817	6,564,348
" " " " Land	2,216	4,540	6,795	8,484	17,451	39,486
Exploration & Drilling Expenditure Amortization	-	-	2,400,357	1,866,832	2,261,707	6,528,896
Moveable Assets	1,150,926	-868,25	- 439,544	-127,320	-329,252	-613,44
Total (2)	9,130,021	7,484,5	10,700,453	8,668,262	7,433,101	43,416,59
Net Investment (1-2)	-4,023,113	-5,578,589	X 11,506,351	23,031,570	-414,097	24,522,12
<u>Less Changes in:</u>						
Long-term receivables	-	-	1,345,839	-113,528	83,371	1,315,682
Excess of Current Assets over Current Liabilities	-5,083,255	-545,667	-3,643,879	-3,798,940	1,509,841	-11,561,900
Total Net Investment	-9,106,368	-6,	9,208,311	19,119,102	1,179,115	14,275,904



September 6, 1967

Dear Dr. Hezareh:

The Fund's annual request for balance of payments information, sent to you on May 1 of this year, asked our correspondents to supply us with 1966 final figures by July 15. We have not yet heard from you, and I should appreciate it greatly if you could let us know at your earliest convenience the approximate date on which you will be sending us this information.

We are particularly interested in having final figures for 1966 in good time so that we can complete our nineteenth Balance of Payments Yearbook volume at a reasonably early date. The final issues of recent volumes of our Yearbook have not been appearing until 19 or 20 months after the end of the latest year covered, and we see great advantages in being able to improve considerably on that performance.

Therefore, if your final 1966 figures will be subject to further delay, we would urge that you let us have revised preliminary figures instead at this time. Our Yearbook regularly covers a period of five years, so that figures which are still subject to revision can always be replaced by a more definitive statement in succeeding volumes.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY

*Bank Markazi Iran*  
(The Central Bank of Iran)

250573

~~AB~~  
~~JA~~  
~~CP~~

Tehran, July 9, 1967

Res. No. 549

wait for promised revisions (which will go into 19th GB) before replying

CABLES : MARKAZBANK

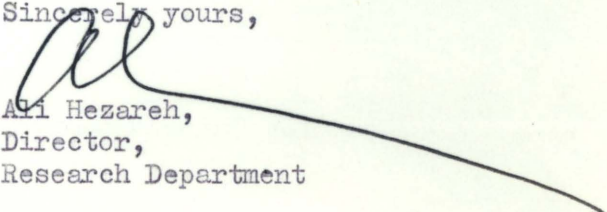
Dear Mr. Smith,

We refer to your letter of May 3, 1967 enclosing the draft copies of the Iranian Section for the Balance of Payments Yearbook. We regret the delay in replying to your letter, the cause of which has been the preparation of our Annual Report for 1345.

Since the figures contained in your draft copy, in particular those relating to the oil sector, need further adjustment, therefore, we feel it necessary to send you the revised figures of balance of payments for the past five years in order to preserve the consistency in your yearbook.

We shall let you have those figures, especially the ones relating to the oil sector very shortly, and will appreciate your comments thereon, before we incorporate them in our own balance of payments data.

Sincerely yours,

  
Ali Hezareh,  
Director,  
Research Department

Mr. John S. Smith,  
Assistant Director,  
(for Balance of Payments Division)  
Research and Statistical Dept.,  
International Monetary Fund,  
Washington, D.C. 20431

RECEIVED  
INTERNATIONAL  
MONETARY FUND

JUL 13 1 17 PM '67

COMMUNICATIONS  
DIVISION

COMMUNICATIONS  
DIVISION

*[Handwritten signature]*

... ..  
... ..  
... ..

... ..  
... ..  
... ..  
... ..

... ..  
... ..  
... ..  
... ..

... ..

COMMUNICATIONS DIVISION

NO. 278

278

JUL 13 1967

*[Handwritten signature]*

OFFICIAL

OUTGOING MESSAGE

OFFICIAL

INTERNATIONAL MONETARY FUND  
WASHINGTON D.C.

FOR PREPARING OFFICER

- Night Letter
- Full Rate
- Code

SPECIAL INSTRUCTIONS

To: Minarch

Markazbank

Teheran (Iran)

My letter May 3. BOP Yearbook section for Iran now being sent to printer for last issue of current volume. Minor changes can be made end of June on printer's proofs. Please notify us immediately any changes you wish to make.

Smith  
Interfund

Drafted By John S. Smith

Department Research & Statistics

Date June 12, 1967

AUTHORIZATION

Signature

Second Signature When Required

FOR CODE ROOM

Time Received \_\_\_\_\_

Time Dispatched \_\_\_\_\_

Number of Words \_\_\_\_\_

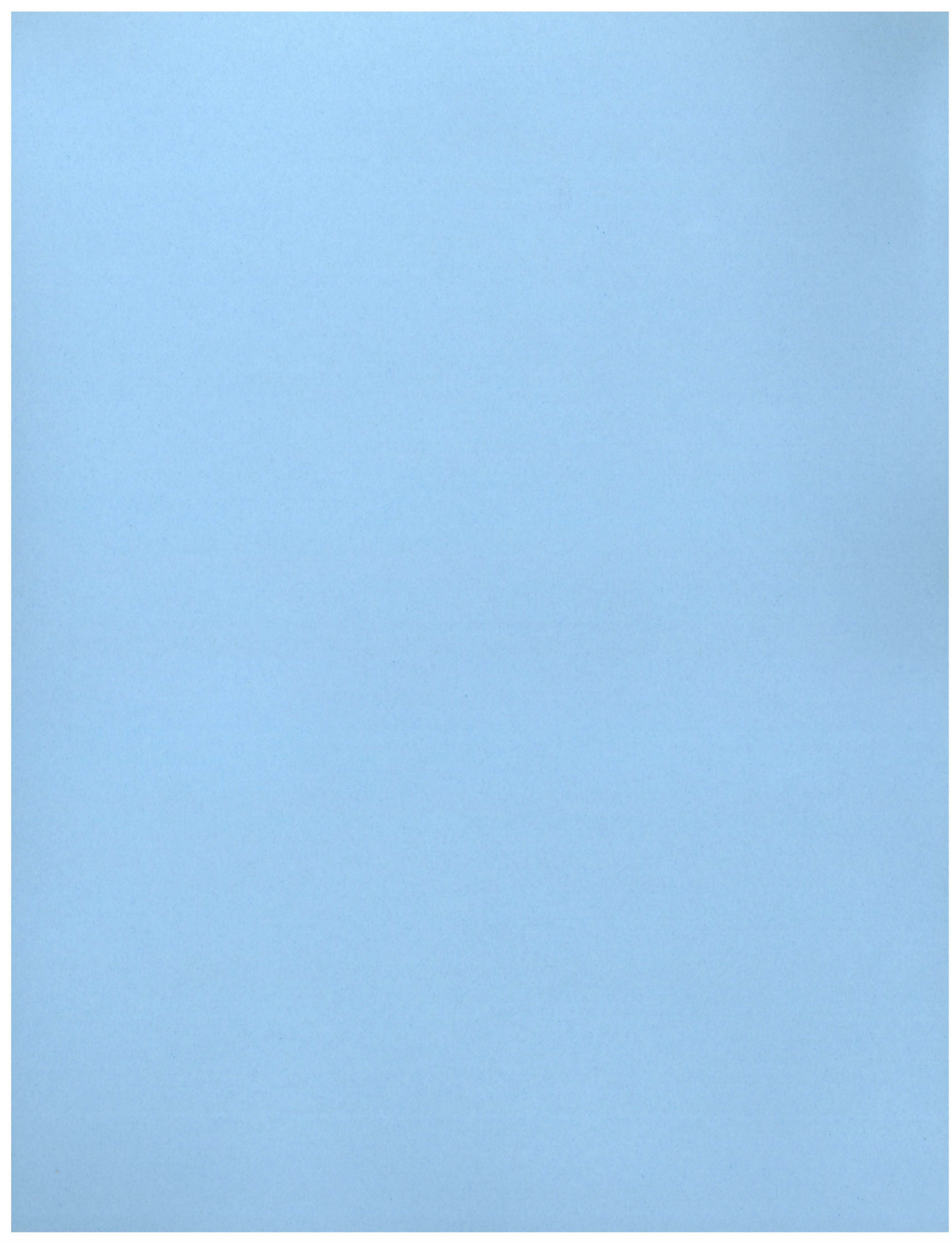
Log \_\_\_\_\_

Route \_\_\_\_\_

Operator \_\_\_\_\_

DO NOT TYPE BELOW THIS LINE





May 3, 1967

Dear Dr. Hezareh:

Enclosed are two copies of the draft for the Iranian section of our eighteenth Balance of Payments Yearbook, incorporating the information sent to us in your letter of February 7 (Res. 2082) and the revisions contained in Mr. Homyoon's letter of February 14 (Res. 2115).

We have made several adjustments to your original data, as explained in the attached memorandum. We discussed some of these adjustments with Mr. Pour-Kashani during his stay in Washington, but there are still some problems that need further explanation.

May we please have your replies to our questions, together with any comments you may wish to make, not later than May 26, since these pages will be published in the near future in the final issue of Volume 18 of our Yearbook.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Enclosures

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY

Questions and Comments on the Iranian Draft Section  
for the Balance of Payments Yearbook, Volume 18

1. Oil exports

We have assumed that in the trade returns the oil exports of the consortium are valued at discounted prices and accordingly, we have used these figures (\$998.0 million for 1964/65 and \$1,189.5 million for 1965/66) for item 1.1, credit, in our draft.

Mr. Pour-Kashani tried to verify our assumption for 1964/65 by multiplying quantities exported by the discounted prices shown in your letter of January 29. As the results of his computation were not conclusive, we should appreciate receiving your comments on this matter.

2. Other exports

The 1961/62-1963/64 entries in item 1.2, credit, in our draft include unspecified adjustments for valuation. Please tell us what these adjustment represent and why they were not made to the trade returns figures for 1964/65 and 1965/66. Also, may we call your attention to the second paragraph on page 94 of the "Annual Report" of the Bank of Markazi Iran which contains a summary of information about export subsidies. If the valuation of Iranian exports in the trade statistics is based on domestic market prices, export subsidies to domestic exporters should be deducted from the entries in our item 1.2, credit, as suggested in paragraph 145(a) of the Fund's Balance of Payments Manual.

May we have your comments on this point and the amounts of exports subsidies paid to Iranian exporters for all the years covered in our draft.

3. Imports

For 1964/65 and 1965/66, the amounts of goods purchased abroad by Iranian tourists for their own use were appropriately excluded from the entries for imports and included in the debit item for travel in your reports. Please provide us with estimates of these purchases for 1961/62-1963/64 so that we may transfer them from item 1.2, debit, to item 5, debit, in our draft.

4. Freight

Amounts for passenger fares received and payments for charter hire are reported in item 4, indicating that Iranian carriers are operating in international traffic. It is therefore to be expected that some earnings from freight should be received by Iranian carriers and that all such earnings should be included in item 3 in your balance of payments reports. Since the only credit entries in this item represent insurance claims received, we should welcome your comments on this matter. In addition, we should like to enter in item 4, freight, the foreign port disbursements of Iranian carriers; are these data available?

5. Direct investment income

For 1964/65 and 1965/66, we have tentatively defined investment income of the oil consortium as being equal to the amounts of foreign exchange that the consortium paid to the Iranian Government. These amounts were calculated at \$426.5 million for 1964/65, excluding the \$40.0 million special payment under OPEC negotiations, and at \$512.1 million for 1965/66.

As far as we know, the 1961/62-1965/66 debit entries in item 6.1 in our draft are equal to the amounts of foreign exchange paid by the consortium on account of "stated payments" in cash and of income tax. However, according to the terms of the 1954 Oil Agreement and of the 1964 Supplement Agreement, summarized in your letter of January 29 (Res. 2045), direct investment income of the consortium for the years prior to 1964 should be equal to the amounts of "stated payments" received by the Iranian Government in kind and in cash and income tax receipts. For 1964 and 1965, direct investment income should equal only the amount of income tax received (see our letter of February 21).

Please furnish us with separate figures for income tax payments and "stated payments" in kind and in cash paid by the consortium for each of the years 1958/59-1965/66.

For 1965/66, the Iranian Government received a \$2.0 million revenue payment from the other oil companies (see paragraph 4 of your letter of June 21, 1966 and Table 50 on page 103 of your Annual Report). Your balance of payments statement for that year, however, does not include any figures for investment income transferred abroad by those companies. Please furnish us with this information.

6. Other investment income

Please confirm that interest payments on long-term official loans amounted to \$18.2 million for 1964/65, as indicated in the note to item 6.2 in our draft, and not to \$17.4 million, as shown in the note to the same item in your report for the solar year 1343.

7. Government receipts from abroad

Can you give us any information on the nature of the Iranian Government's receipts from abroad, which form part of the credit total for item 7, Government, n.i.e.? (See Table A of our draft.) Please let us know where contra-entries have been recorded.

8. Government expenditures abroad

We should like to know more about the \$54.2 million entry for "other expenditures by Iranian Government" debited to item 7 in your report for 1965/66 (see Table A in our draft). If that entry includes special transactions, what were the contra-entries in your 1344 statement?

9. Other services

Please confirm that the amounts for expenditures abroad by the oil consortium, included in item 8, debit, in our draft, refer to solar years. We should also like to know whether those amounts include salary remittances abroad by the consortium's employees.

10. U.S. assistance to Iran

Following the procedure adopted in the past (see paragraph 7 of our letter of April 6, 1966), we have used U.S. Department of Commerce figures for the year ended March 31, 1966 to make the entries for U.S. aid to Iran in items 9 and 10 in our draft.

11. Direct-investment capital of oil sector

For 1964/65 and 1965/66, we have preferred to calculate the entries in item 11.1 in our draft as the difference between receipts and expenditures of the oil sector (see Annex 1) rather than embody calendar

year figures for direct investment by the oil consortium in our balance of payments statement, which covers transactions referring to Iranian years.

As you know, our entries in item 11.1 include net errors and omissions in the recording of the other transactions of the oil sector. We should appreciate it if you would study the annexed table with a view to eliminating errors, wherever possible. Errors and omissions in this sector could be identified if the calculation of the oil sector's direct investment could be made by the method set out (with illustrative figures) in the table attached to our letter of February 21, in which the oil sector's net transactions can be related to the corresponding foreign exchange conversions.

12. Other direct investment

Please confirm that our note to item 11.2 applies to all of the years covered in the draft. We should like to know more about the nature of the "cash remittances" and the "repayments of principal" included in item 11.2 in your reports for 1964/65 and 1965/66. Do "cash remittances" and "repayments of principal" refer to loan transactions between the investment companies and their parent companies abroad or to loan transactions between the investment companies and other foreign lenders? Can you also tell us whether "repayment of principal and profit on foreign investment" are available for 1961/62-1963/64?

13. Loans received by private sector and by central government

The 1965/66 entries in items 12.1 and 15.1 in our draft are based on information derived from various official sources and refer to transactions for the year ended March 31, 1966.

Details on loan transactions with the United States are reproduced below (in millions of U.S. dollars):

	<u>Drawings</u>	<u>Repayments</u>
U.S. loans to private sector		
AID loans (in dollars)	1.3 ✓	0.4
P.L. 480, Title IV (in dollars)	3.2 ✓	--
Cooley loans (in rials)	<u>2.0</u>	<u>--</u>
Total (part of item 12.1)	6.5	0.4
U.S. loans to central government		
AID loans (in dollars)	4.0 ✓	12.4
P.L. 480, Title IV (in dollars)	13.3	0.3
Export-Import Bank	<u>7.0</u>	<u>9.5</u>
Total (part of item 15.1)	24.3	22.2

As you know, the loans under the terms of P.L. 480, Title IV, are administered by the U.S. Credit Commodity Corporation and refer to commodity sales financed by long-term loans repayable in dollars. Since these loans were not listed in Table 5 (long-term loans) in your report, we presume that the amounts received (\$13.3 million) and repaid (\$0.3 million) by the Iranian Government were included in item 13.3 (suppliers' credits) in your report. If so, please tell us whether these loans were utilized by government enterprises or by the Iranian Government itself (see also the following paragraph).



14. Suppliers' credits

For 1965/66, we have tentatively entered the amount of suppliers' credits (\$61.5 million) and of their repayment (\$26.8 million) in item 12.2 in our draft. Those amounts may include, however, credits and repayments by the Ministry of War and by the Plan Organization, which are appropriate to item 15.4 in our draft. Please furnish us with this information. Also, tell us whether the 1964/65 entries in our item 12.2 include amounts that should more appropriately be classified in item 15.4 in our draft. See also the preceding paragraph.

15. U.S. Government holdings of rials

In our letter of July 8, 1966 we asked: "The coverage of the official U.S. version of the figures for item 15.2 of our draft--U.S. Government holdings of Iranian rials--differs significantly from the coverage as defined in paragraph 12 of Dr. Towfig's letter of June 21, 1966. The table in his paragraph 12 does not seem to cover counterpart funds, intercountry transfers and principal and interest payments on loans in rials, and it is not clear whether the f.o.b. value of surplus agricultural commodities in that table may be taken as equivalent to the sales proceeds in rials of these commodities. We should appreciate it if you could attempt to reconcile the figures in Dr. Towfig's table with those shown in Annex Table B of our memorandum dated April 6."

Could you please supply such a reconciliation for all the years covered in our draft? The 1965/66 figures furnished to us by the U.S. Department of Commerce are the following (in millions of U.S. dollars):

A. U.S. Acquisition of Rials	
Sales of surplus agricultural commodities	3.4
Second stage operations	1.2
Counterpart funds	<u>0.6</u>
Total U.S. acquisition of rials	5.2
B. U.S. Uses of Rials	
Loans (Cooley loans to private sector)	2.0
Other uses	<u>7.8</u>
Total U.S. uses of rials	9.8
Changes in U.S. Government holdings of rials (A minus B)	-4.6
Changes in U.S. Government holdings of rials according to Iranian report (item 15.2 in our draft)	2.7

16. Transactions with international organizations

The 1965/66 entries in items 15.3 and 18.2 in our draft have been derived from official IBRD reports. The debit entry in item 15.3 has been offset by an equal credit entry in item 18.2, since the encashment by the IBRD of noninterest-bearing demand notes, issued by the Iranian Government to cover the 1960/61 local currency subscription to that institution, represents the transfer of an Iranian liability from government account to central bank account.

Transactions of Iran with the IMF are derived from official Fund documents and are shown on a gross basis.

17. Commercial banks' capital

As you know, the entries in items 16 and 17 in our draft differ from the changes that can be derived from the outstanding amounts for commercial banks' liabilities and assets published in International Financial Statistics.

The two series of data are reproduced below (in millions of U.S. dollars):

	<u>1961/62</u>	<u>1962/63</u>	<u>1963/64</u>	<u>1964/65</u>	<u>1965/66</u>
<b>Liabilities</b>					
As reported for IFS <u>1/</u>	-6.1	-1.3	-1.9	3.4	10.7
As reported in balance of payments					
Originally reported	5.2	5.4	5.7	-7.9	--
Revised figures <u>2/</u>	5.2	5.4	5.5	-10.8	-1.6
<b>Assets</b>					
As reported for IFS <u>1/</u>	53.2	15.2	-13.8	1.5	-13.3
As reported in balance of payments					
Originally reported	0.1	13.7	+17.1	-0.1	--
Revised figures <u>2/</u>	0.1	13.7	-11.1	8.6	-10.1

1/ From statistics reported for IFS by the Bank Markazi Iran.

2/ Entries in items 16 and 17 in our draft.

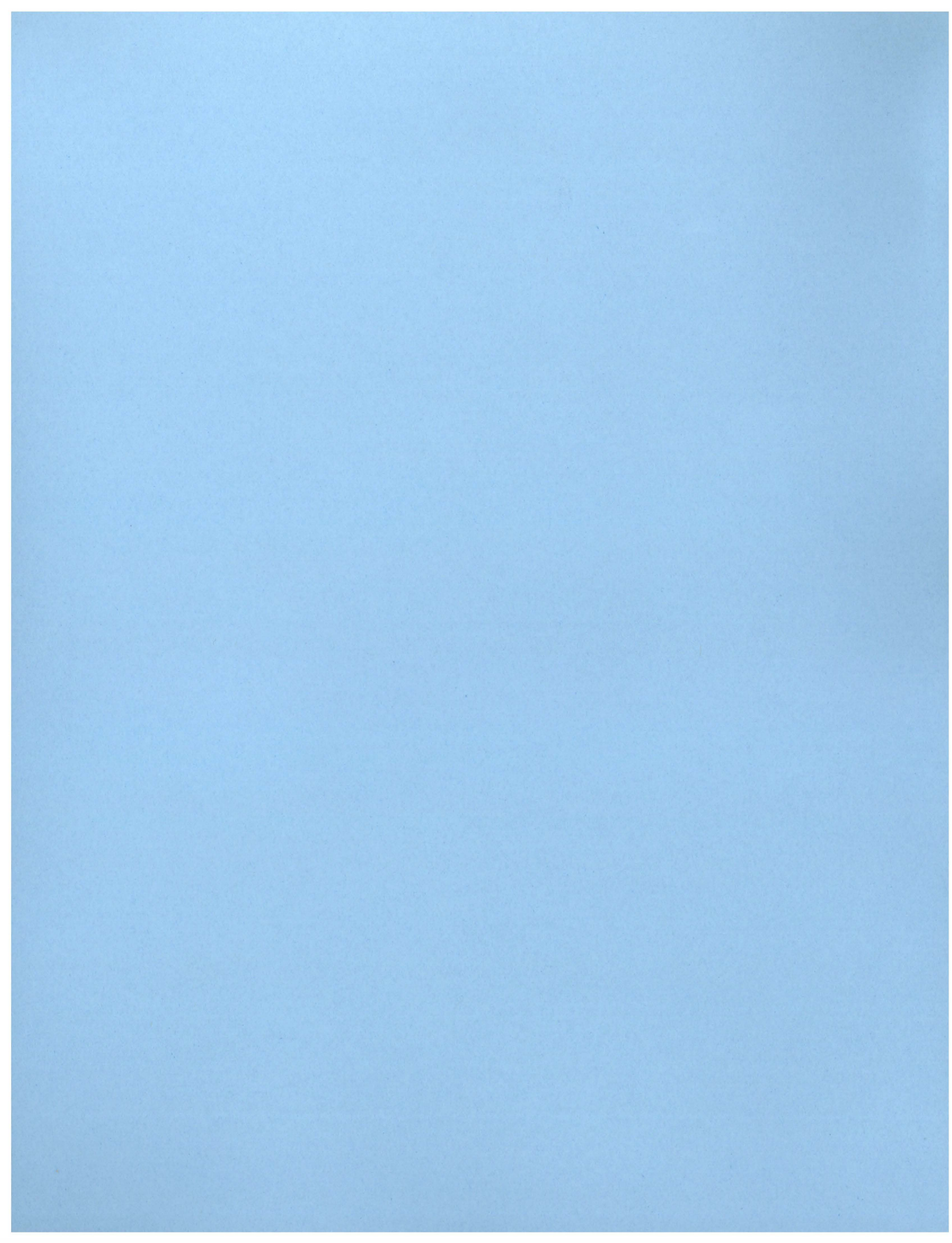
We should find it most helpful to receive a table that would indicate each item that causes the two series of data to differ. Given a complete reconciliation between the two series, we should be able to indicate in the notes the exact reason for the differences between the balance of payments figures and those that can be derived from International Financial Statistics.

Annex 1. Transactions of the Oil Sector<sup>1/</sup>

(In millions of U.S. dollars)

	1961/62	1962/63	1963/64	1964/65	1965/66
<b>A. Receipts of oil sector</b>					
Exports (as in item 1.1, credit, in our draft)					
Oil consortium )					
Other oil companies )	752.7	811.2	897.1	998.0	1,189.5
<b>B. Payments of oil sector</b>					
Imports (part of item 1.1, debit, in our draft)					
Oil consortium	48.3	68.3	26.2	52.4	67.4
Other oil companies	6.0	9.1	5.9	6.6	7.6
Services (part of item 8, debit, in our draft)					
Oil consortium	19.0	21.6	20.5	21.8	46.8
Other oil companies	...	...	...	...	...
Royalties and taxes paid in Iran					
Oil consortium	291.1	342.2	388.0	426.5	512.1
Other oil companies	--	--	--	--	2.0
Investment income (item 6.1, debit, in our draft)					
Oil consortium	291.1	342.2	388.0	426.5	512.1
Other oil companies	--	--	--	--	...
Advances to Iranian Treasury and repayments by the Iranian Treasury					
Oil consortium	--	-14.0	--	--	36.0
Other expenditures in Iran					
Oil consortium	96.6	90.5	80.5	77.3	75.6
Other oil companies	3.6	4.5	1.6	11.6	17.8
Special payments to Iran					
Oil consortium					
Through OPEC	--	--	--	40.0	--
Other	--	--	--	13.4	--
Concession payments to Iran					
Other oil companies	--	--	--	185.0	5.0
<b>Total</b>	<b>755.7</b>	<b>864.4</b>	<b>910.7</b>	<b>1,261.1</b>	<b>1,282.4</b>
<b>C. Net transactions (B minus A):</b>					
increase in investment in Iran (item 11.1, credit)	3.0	53.2	13.6	263.1	92.9

<sup>1/</sup> Excluding the National Iranian Oil Company.



May 1, 1967

Dear Dr. Hezareh:

The Fund's formal request for balance of payments data accompanies this letter. Each year at this time, we ask all member countries to submit this information, in accordance with Article VIII, Section 5, of the Fund Agreement. The tables to be used in reporting your balance of payments statistics were mailed to you at the beginning of April; instructions for completing them are given in the Fund's Balance of Payments Manual, Third Edition.

Our need to be kept fully informed of recent developments will best be met if, during the coming twelve months, we receive the completed reporting forms by the dates indicated in the enclosed request. In the Fund's operations, the value of much of the material contained in balance of payments reports is greatly enhanced when it reaches us promptly. Please let us know as far in advance as possible if any of your reports are likely to be seriously delayed.

Instead of distributing special reporting forms on behalf of the United Nations as in previous years, we have worked out an arrangement under which, for the time being at least, the UN will obtain most of the information that it needs on long-term capital movements and official transfer payments from the regular forms and supplements prepared for us by member countries. With this in mind, kindly make a special effort to complete Table B, Regional Balance of Payments Summary, and the supplements to Tables XI, XIII, and XIV, and to add notes giving any additional details that might be of interest.

I am glad to avail myself of this opportunity to thank you for your continuing cooperation in providing balance of payments information to the Fund.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY

April 5, 1967

Dear Mr. Hezareh:

Thank you for your March 27 letter (reference number, Res. 16), which enclosed the preliminary statement of Iran's 1966 balance of payments, as requested in my letter of March 7. We are very glad to have this information in readiness for the compilation of background statistics for the first draft of the balance of payments chapters in the Fund's Annual Report, and I much appreciate your cooperation.

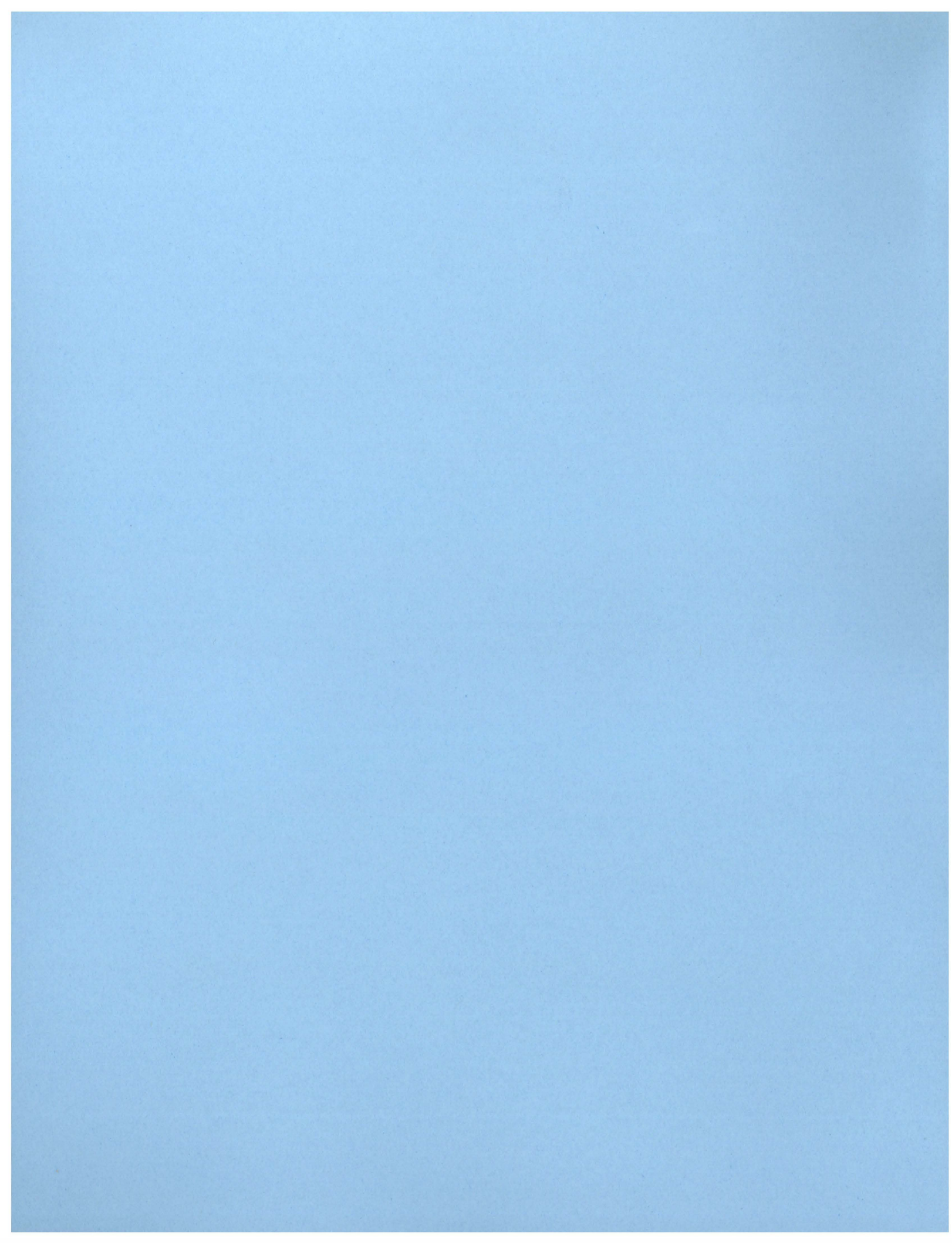
We also plan to make our regular use of your figures in the Fund's publications by issuing a provisional page for Iran, to cover 1965 and 1966, in our current Yearbook in April.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY





265147

*Bank Markazi Iran*  
(The Central Bank of Iran)

CABLES: MARKAZBANK

*Tehran, March 27, 1967*  
*Res. NO. 16*

Mr. John S. Smith  
Assistant Director  
Research and Statistics Department  
International Monetary Fund  
Washington, D.C. 2043  
USA

Dear Mr. Smith,

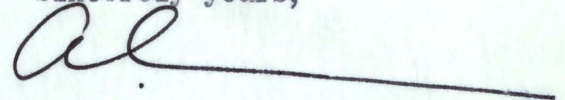
With reference to your letter of March 7, 1967, we are pleased to enclose a preliminary draft of the balance of payments report on Iran for the years 1965-66.

In regard to your letter of February 21, 1967, although we agree with your decision to use for the current Yearbook the old method of computing the transactions of the foreign-owned oil companies, nevertheless, we still feel that the old method needs much to be desired and, therefore, it should be revised. We are aware that our proposed method of computation poses several problems, but we are also of the opinion that if our present progress is to be continued then the proposed method of computation can be made reasonably reliable and useful.

Our balance of payments division has been instructed to comply with your request regarding standard years.

We shall keep in touch with you regarding our progress in the proposed method of computing the transactions of the oil sector. Thanking you once again for your close cooperation, we remain,

Sincerely yours,



Ali Hezareh  
Director  
Research Department

cc: Mr. Gunter

TABLE A

## CURRENT AND CAPITAL TRANSACTIONS

\$ million

	1965		1966	
	Credit	Debit	Credit	Debit
A. Goods and Services	1,263.0	1,435.8	1,374.4	1,584.0
1. Merchandise	1,168.9	846.7	1,291.1	914.5
1.1 Oil Sector	1,000.5	81.7	1,131.2	81.2
1.2 Other	168.4	765.0	159.9	833.3
2. Non-monetary gold	-	0.4	-	0.5
3. Freight and merchandise insurance	1.0	-	1.0	-
4. Other transportation	8.2	7.9	8.3	10.1
4.1 passenger fares	7.2	5.4	7.3	8.1
4.2 Time charters	-	2.5	-	2.0
4.3 Bunker fuel	1.0	-	1.0	-
5. Travel	10.0	36.2	15.0	50.0
6. Investment income	6.0	416.0	6.5	469.7
6.1 Oil Consortium	-	401.7	-	453.1
6.2 Other	6.0	14.3	6.5	16.6
7. Government, not included elsewhere	30.6	45.4	15.6	48.5
8. Other services	38.3	83.2	36.9	90.7
8.1 Oil Consortium	-	44.8	-	45.0
8.2 Other	38.3	38.4	36.9	45.7
Net goods and services	-	172.8	-	209.6
Trade balance (1 and 2)	321.8	-	376.1	-
Net services	-	494.6	-	585.7
B. Transfer Payments	7.8	0.2	9.5	0.3
9. Private	1.0	0.2	2.0	0.3
10. Central government	6.8	-	7.5	-
Net total (1 through 9)	-	172.0	-	207.9
Net total (1 through 10)	-	165.2	-	200.4

TABLE A (Continued)

	1965		1966	
	Credit	Debit	Credit	Debit
C. Capital and Monetary Gold	<u>342.9</u>	<u>154.8</u>	<u>319.3</u>	<u>81.4</u>
II. Direct investment	278.8	-	132.6	-
11.1 Oil Consortium	60.2	-	96.1	-
11.2 Other	218.6	-	36.5	-
12. Other private long-term	1.3	-	7.5	-
13. Central government	62.8	75.2	146.1	51.2
13.1 Long-term loans	19.0	33.6	41.4	34.5
13.2 US Government rial holdings	-	8.5	-	3.5
13.3 Suppliers' credits	<u>43.8</u>	33.1	104.7	<u>12.1</u>
13.4 Subscription to non-mone- tary international organi- zations	-	-	-	1.1
14. Central monetary institutions	-	61.6	19.7	27.5
14.1 IMF rial holdings	-	3.4	<u>0.5</u>	-
14.2 IBRD and IDA rial holdings	-	-	<u>0.7</u>	-
14.3 Subscription to IMF	-	-	-	<u>14.3</u>
14.4 Marketable assets	-	<u>2.0</u>	-	-
14.5 Exchange deposits	-	47.0	-	<u>13.2</u>
14.6 Other short-term assets and liabilities	-	<u>4.1</u>	3.2	-
14.7 Gold	-	5.1	15.3	-
16. Other monetary institutions	-	18.0	13.4	2.7
16.1 Exchange deposits	-	16.4	13.4	-
16.2 Rial deposits	-	1.6	-	2.7
Net errors and omissions	-	<u>22.9</u>	-	<u>37.5</u>

Balance of Payments of Iran

1965-1966

Preliminary Draft

A summary of the balance of payments of Iran for the years 1965-66 is given in the attached Table A. Some of the data given previously for the year 1965, particularly those for oil consortium transactions and suppliers' credits have been revised. Some of the data for the year 1966 are estimates and, therefore, subject to revision.

Details of some items in Table A are given in the following notes and all amounts are stated in millions of US dollars.

Notes to Table A

1. Merchandise

Non-oil exports are taken from trade returns, Oil exports are valued at discounted posted price on shipments reported by NIOC. Import figures are also derived from trade returns, except for imports by the oil sector and shipments to foreign diplomatic missions in Iran. The import figure for the oil consortium for 1965 is reported by themselves and that for 1966 is estimated. Import figure for NIOC is taken from exchange records. The import figures for other oil companies and shipments to foreign diplomatic missions in Iran are estimated. Details of the entries are given in the Table 1.

TABLE 1

## MERCHANDISE ACCOUNT

Exports	1965	1966
Exports, FOB, from trade return:		
Oil (multiply quantity exported by discounted posted price)	1,000.5	1,131.2
Other than Oil	<u>168.4</u>	<u>159.9</u>
	1,168.9	1,291.1
Imports, CIF:		
By oil companies:		
Oil Consortium as reported by themselves	52.0	55.0
National Iranian Oil Company	21.7	16.2
Others	<u>78.0</u>	<u>10.0</u>
	81.7	81.2
By other than oil companies	770.0	839.3
Coverage adjustment for shipments to foreign diplomatic missions	<u>-5.0</u>	<u>-6.0</u>
	765.0	833.3

## 2. Non-monetary gold

The entries show sales of gold coin to the public by Bank Melli Iran.

## 3. Freight and merchandise insurance

The credit entries cover insurance claims received for lost or damaged imports. No debit items are shown as freight and insurance on imports are included in item 1, debit.

#### 4. Other transportation

The credit entries cover passenger fares received by Iranian carriers (line 4.1) and sales of bunker fuel to foreigners by the National Iranian Oil Company (line 4.3). The debit entries cover passenger fares paid to foreign airlines in foreign exchange sold by the authorized banks (line 4.1) and payments for charter hire (line 4.2)

#### 5. Travel

The credit entries show estimates of foreign travellers' expenditures in Iran. The debit entries are also estimates of expenditures of Iranians travelling abroad including those of students.

#### 6. Investment income

6.1. Oil consortium: The entries represent investment income paid to foreigners by the oil consortium and are calculated as shown in Table 2. The difference between receipts and payments is assumed to represent investment income paid abroad.

Table 2

Oil Consortium

<u>A. Receipts</u>	<u>1965</u>	<u>1966</u>
Oil export proceeds	1,000.5	1,131.2
Oil delivered to NIOC for internal use (valued at cost)	<u>20.5</u>	<u>21.1</u>
Total receipts	1,021.1	1,152.3
<u>B. Payments</u>		
Payments to GOI	512.1	580.9
Operating costs	<u>107.3</u>	<u>118.3</u>
Total payments	619.4	699.2
Estimated investment income of the Oil Consortium (A-B)	401.7	453.1

6.2. Other investment income. The credit entries cover interests received by Bank Markazi Iran and Bank Melli Iran. The debit entries represent interest paid on long-term official loans and credits (14.3 for 1965 and 16.6 for 1966).

7. Government, not included elsewhere.

Details of the entries are shown in Table 3.

Table 3

Government, n.i.e.

(in millions of U.S. dollars)

R e c i p t s	<u>1965</u>	<u>1966</u>
Foreign diplomatic expenditures in Iran	9.1	4.9
Iranian Government receipts from abroad	<u>21.5</u>	<u>10.7</u>
Item 7 Credit	30.6	15.6
P a y m e n t s		
Iranian diplomatic expenditure abroad	8.3	8.1
Purchases of services by Plan Organization	10.9	15.4
Other expenditures by Iranian Government	19.4	19.6
Technical assistance services financed by:		
United Nations	4.0	3.0
US Government	<u>2.8</u>	<u>2.4</u>
Item 7 debt	45.4	48.5

8. Other services

8.1 Oil Consortium: The entries show purchases of services by the Oil Consortium for operations in Iran, 44.8 for 1965, as reported by themselves and an estimate of 45.0 for 1966.

8.2 Other: The entries are based on the exchange record. The debit entries include foreign exchange expenditure (other than those for merchandise imports and travel) of the National Iranian Oil Company 29.9 for 1965 and 36.3 for 1966.

9. Private transfer payments

The entries cover estimated private donations in kind and aid received from the the CARE organization in the United States.



#### 10. Central government transfer payments

The entries cover US and UN technical assistance grants. Technical assistance grants are partly in the form of imports and partly in the form of services.

#### 11. Private long-term capital

11.1 Oil Consortium: The entries cover changes in investment by the Oil Consortium and are calculated as shown in Table 4. The difference between receipts and payments is assumed to represent direct investment capital movements, but it also includes net errors and omissions in recording other transactions of the consortium.

Table 4

#### Oil Consortium Transactions

A. Receipts	<u>1965</u>	<u>1966</u>
Oil export proceeds	1,000.5	1,131.2
Oil delivery to NIOC for internal use (valued at cost)	<u>20.5</u>	<u>21.1</u>
Total	1,021.0	1,152.3
B. Payments		
Imports (as in Table 1)	52.0	55.0
Services (item 8.1)	44.8	45.0
Payments to GOI	512.1	580.9
Other expenditures in Iran	70.7	78.4
Advance made to the Treasury General	-	36.0
Investment income (item 6.1)	<u>401.7</u>	<u>453.1</u>
Total	1,081.3	1,248.4
Estimated increase in investment in Iran	60.3	96.1

Direct information available on consortium capital movements indicate an investment of 64.5 for 1965. No corresponding figure is available for 1966.

11.2: Other direct investment. The entries cover estimated increase (credit) in investment in other oil companies (217.3 for 1965 and 29.4 for 1966) and other industrial companies (1.3 for 1965 and 7.1 for 1966).

12. Other private long-term capital

Credit entries show drawings on and debit entries cover repayments of IBRD and AID loans to the private sector.

13. Central government

13.1 Long-term loans: Details of this account are given in the table 5.

T a b l e 5  
LONG-TERM LOANS

	1965	1966
Drawing from:		
IBRD (for Plan Organization)	4.0	9.5
Germany (for Plan Organization)	9.8	5.0
US Government:		
DLF loans (for Plan Organization)	2.5	4.0
Loans in Iranian rials	-	2.6
Ex-IM Bank loans	2.1	11.4
USSR Credit	<u>0.6</u>	<u>8.9</u>
	19.0	41.4
Repayments to:		
IBRD		
United Kingdom	4.6	6.1
British Petroleum Co. (Compensation)	7.0	7.0
US Government		
Export-Import Bank	11.1	11.4
DLF loans	<u>10.9</u>	<u>10.0</u>
	33.6	34.5

13.2. US Government rial holdings: The entries cover changes in rial liabilities to the US Government resulting from purchases (credit) made in rials of US surplus agricultural commodities, and the use (debit) of the rial proceeds by the US Government in Iran.

13.3. Suppliers' Credits. The entries show drawings on and repayments of foreign suppliers' credits to the government agencies and the Ministry of War.

13.4. Subscriptions to non-monetary international organizations. Subscriptions (debit) were made to the IBRD in gold (0.4 for 1966) and in rials (0.7 for 1966). The increase in Iran's liabilities resulting from rial payments are entered as credits in item 14.2.

#### 14. Central monetary institutions

14.1. IMF rial holdings: The entries cover increase (credit) in Iran's liabilities resulting from the payment of a rial subscription (0.5 for 1966, see note to item 14.3), and decrease (debit) in Iran's liabilities resulting from repurchases of rials (3.4 for 1965).

14.2. IBRD and IDA rial holdings: The entry covers increase in Iran's liabilities resulting from the payment of a rial subscription (0.7 for 1966, see note to item 13.4) in 1966.

14.3. Subscription to IMF: The subscriptions were made in gold (debit of 13.8) and rials (debit of 0.5, see note to item 14.1).

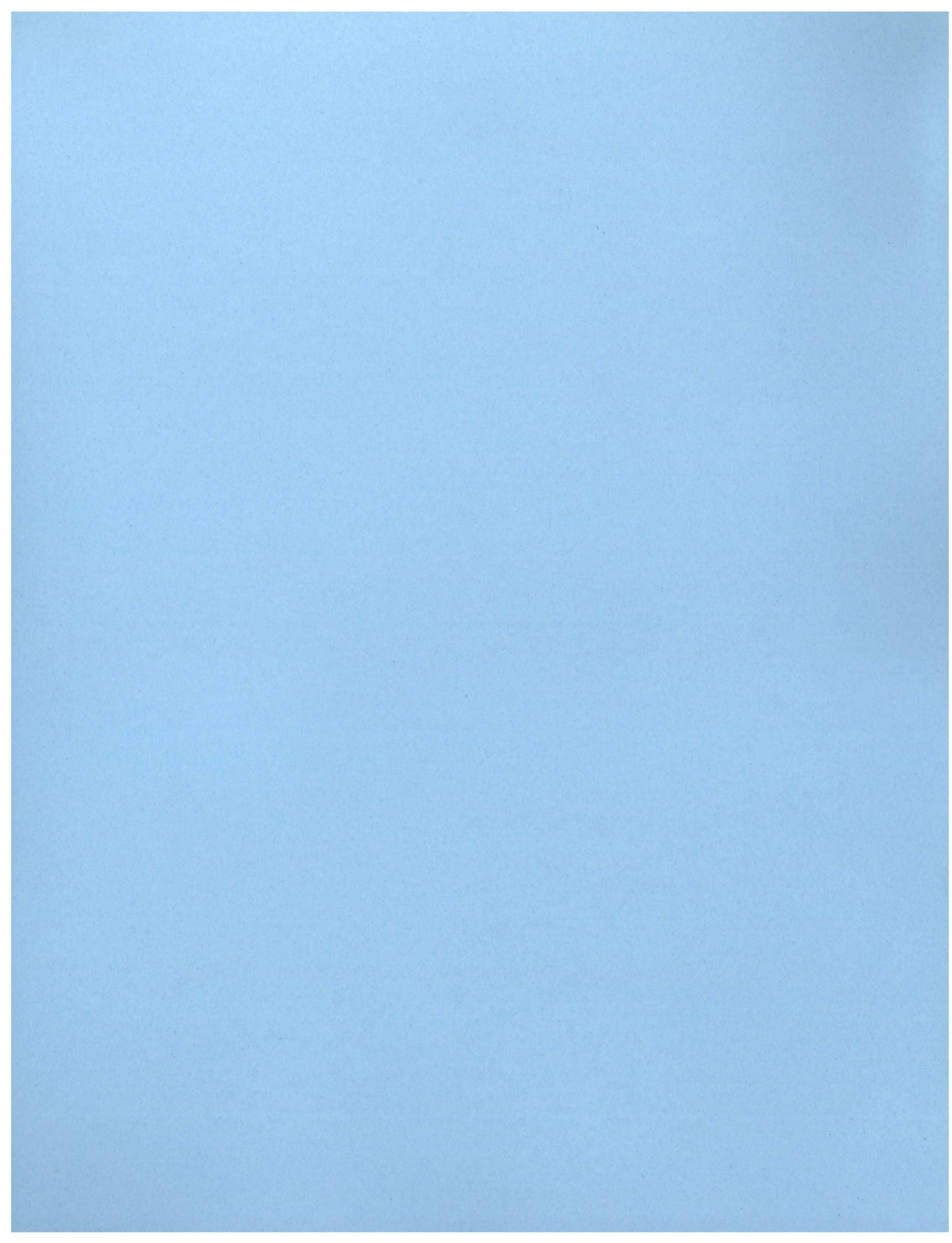
14.4. Marketable assets: The entries represent changes in the IBRD bonds held by the Bank Markazi Iran.

14.6. Other short-term assets and liabilities: The entries show increase in clearing balances, including the balance of trade with the USSR (debit of 4.1 for 1965 and credit of 3.2 for 1966).

#### 16. Other monetary institutions

16.1. Exchange deposits: The entries cover balances of banks' deposits with foreign correspondents.

16.2. Rial deposits: The entries represent changes in liabilities of banks to foreign residents resulting from rial deposits.



Received from Mr.  
Sehbidar  
March 10, 1967

March 9, 1967

Dear Dr. Hezareh:

Thank you very much for your letter of February 18, 1967 (Res. No. 2141) and for your comments on the staff report on the 1966 Article XIV consultation with Iran. Your letter reached us after the report was reviewed by the Executive Board, and it was not possible to introduce the changes you suggested. It was also not deemed advisable to arrange for further discussion of the report by the Executive Board. However, as indicated below, some changes in our records are warranted by your comments. We will make these changes so that they may be reflected in future Fund documents where relevant.

Clarification of the points mentioned in your letter is given below.

I. Oil

Table 3 on page 6 of Part II shows that oil production nearly doubled between 1960/61 (61,000,000 cubic meters) and 1965/66 (116,000,000 cubic meters). The reference on page one of Part I should have more accurately been made to Iranian rather than calendar years.

II. National Income Data

The source of national income data used in the report is, as indicated in Table I of Appendix I, the Plan Organization. The main reason for choosing this series is that it reflects more adequately the impact of the drought conditions in 1343 on agricultural production and the recovery of such production in 1344. The Bank Markazi GNP data show large increases in value added in agriculture in both years.

III. Balance of Payments

The points you raise are an intrinsic part of the exercise of computation of the section on the oil sector in the balance of payments on which you have been corresponding with Mr. John Smith in the Fund. In preparing the table for the consultation report, we used the figures provided to the mission and adjusted them in accordance with the concept used by the Balance of Payments Division for the Yearbook and set out in their correspondence with you. To recapitulate the conceptual approach, the figure for Direct Investment by the Oil Consortium is equivalent to the difference between receipts and payments which Bank Markazi attributes to the Consortium. Other Services of the Miscellaneous Foreign-Owned Oil Companies were also calculated as the equivalent of the difference between the foreign exchange contributions to Iran and the known payments of these companies. To the extent that the figures supplied by Bank Markazi on the operations of the Consortium or the Miscellaneous Foreign-Owned Companies include errors and omissions they are reflected in the

derived entries in the balance of payments. I might add that another reason for choosing the method above of calculating the Oil Consortium direct investment capital was that the figures you had provided for direct investment by the Consortium in 1343 and 1344 were for calendar years 1964 and 1965 and, therefore, could not be embodied in the balance of payments statement on an Iranian year basis.

I have been informed by our Balance of Payments Division that they will be sending you in the near future the draft section of the Iranian pages of the Yearbook where the classification problems relating to the oil sector will be discussed in detail.

#### IV. Fiscal Data

(a) The figure of Rls 17 billion was provided us by the Plan Organization and was included in Tables 6 and 8 in Part II.

(b) The reference here was to net reliance of the public sector on the banking system, i.e., taking into account movements in cash deposits with the banking system. In Table 2 of Part I it is projected that this reliance will decline from Rls 13.4 billion in 1344 to Rls 3.5 billion in 1345.

(c) You are right.

#### V. The Restrictive System and Exchange Regulations

Our misunderstanding as regards the forfeiture on import registration deposits arises from an interpretation of Circular No. Ex/16400/24 read in conjunction with the earlier relevant circulars. The best opportunity to take account of this point is now by revision of the draft survey of the Iranian exchange system for the Annual Report on Exchange Restrictions which was dispatched to Bank Markazi on March 2 and on which the Bank will be letting us have their comments in due course. Your point on the language used to describe controls applied to imports from certain countries has been taken care of in the above-mentioned draft survey.

With kindest regards,

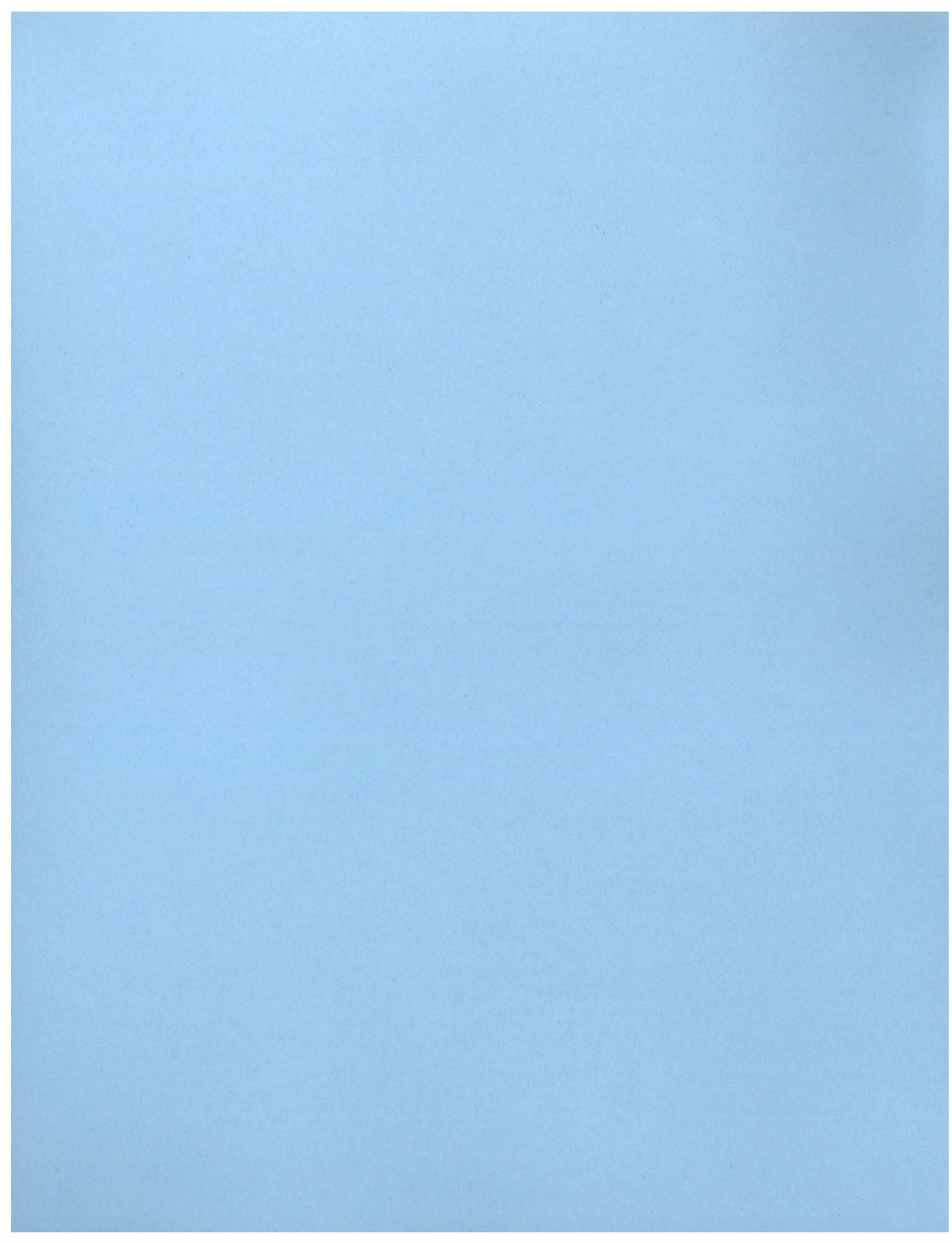
Yours sincerely,

(Sgd)

A. K. El Selehdar  
Chief, Eastern Division  
Middle Eastern Department

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran  
Iran.

cc: Mr. Catt  
Mr. Rose  
Mr. Dell'Anno ✓



Received 2/18/67

*Bank Markazi Iran*  
(The Central Bank of Iran)

CABLES: MARKAZBANK

Tehran, February 18, 1967  
Pos. NO. 2141

Dear Mr. El Selehdar,

I have read with great interest your report on the 1966 Consultations. I must congratulate you for your speed in preparing such a long and important report in such a short time.

There are, however, a few points which I thought should be brought to your attention:

I - Oil - On page one part I, according to our figures the increase in oil production during the 5 year period amounts to 76 per cent.

II - National Income Data -

a) I am not quite sure as to the source of your data on the National Income, but our own provisional estimates are somewhat different. Therefore, I am enclosing our own table which you might like to substitute for the one appearing as Table I of Appendix I in part II;

b) On page one part I, our estimate shows that the share of oil in our national income is 10 per cent;

c) on page 2 part I, our estimated rise in GNP for 1965/66 is about 10 per cent.

III- Balance of Payments -

a) I wonder how you have arrived at the figures of \$22.7 million and \$14.8 million representing "Other services" under "Miscellaneous Foreign-Owned Oil Companies" in Table 5 of Appendix I in part II as we are unaware of such figures;

*Rose*

received from Mr. J. Rose  
March 8 / 1967



b) the figures for Oil Consortium investment in Iran (-12.4 and 35.2 million U.S. dollars) do not correspond with Iran's balance of payments data. Moreover, it is not clear how the above figures have been computed.

IV - Fiscal Data -

X a) On page 7 part I, the figure of Rls. 17 billion regarding the Plan Organization Program outlays should read Rls. 16 billion;

X b) on page 9 part I last line, please add, "if utilization of its deposits with the banking system is not taken into account;"

c) on page 11 part II, the comparison of the two figures, namely Rls. 230 billion and Rls. 108 billion may not be appropriate as the former consists only of development expenditures and the latter represents both the development and non-development expenditures. Up to March 1966 the development expenditures amounted to Rls. 95 billion.

V - Proposed decision -

On page 22 part I, in the 3rd line after the word "resources" please add, "also as a means of reducing the pressure on the balance of payments, particularly those stemming from non-essential and semi-essential imports."

VI - Restrictive System -

On page 37 part II, paragraph (b) lines 11, 12 and 13 I feel that the phraseology should be reconsidered.

VII - Exchange Regulations -

The contents of the fifth paragraph on page 52 part II, do not quite correspond with the existing regulations of the Central

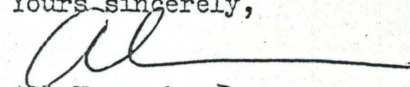
✓ Rose

✓ Rose

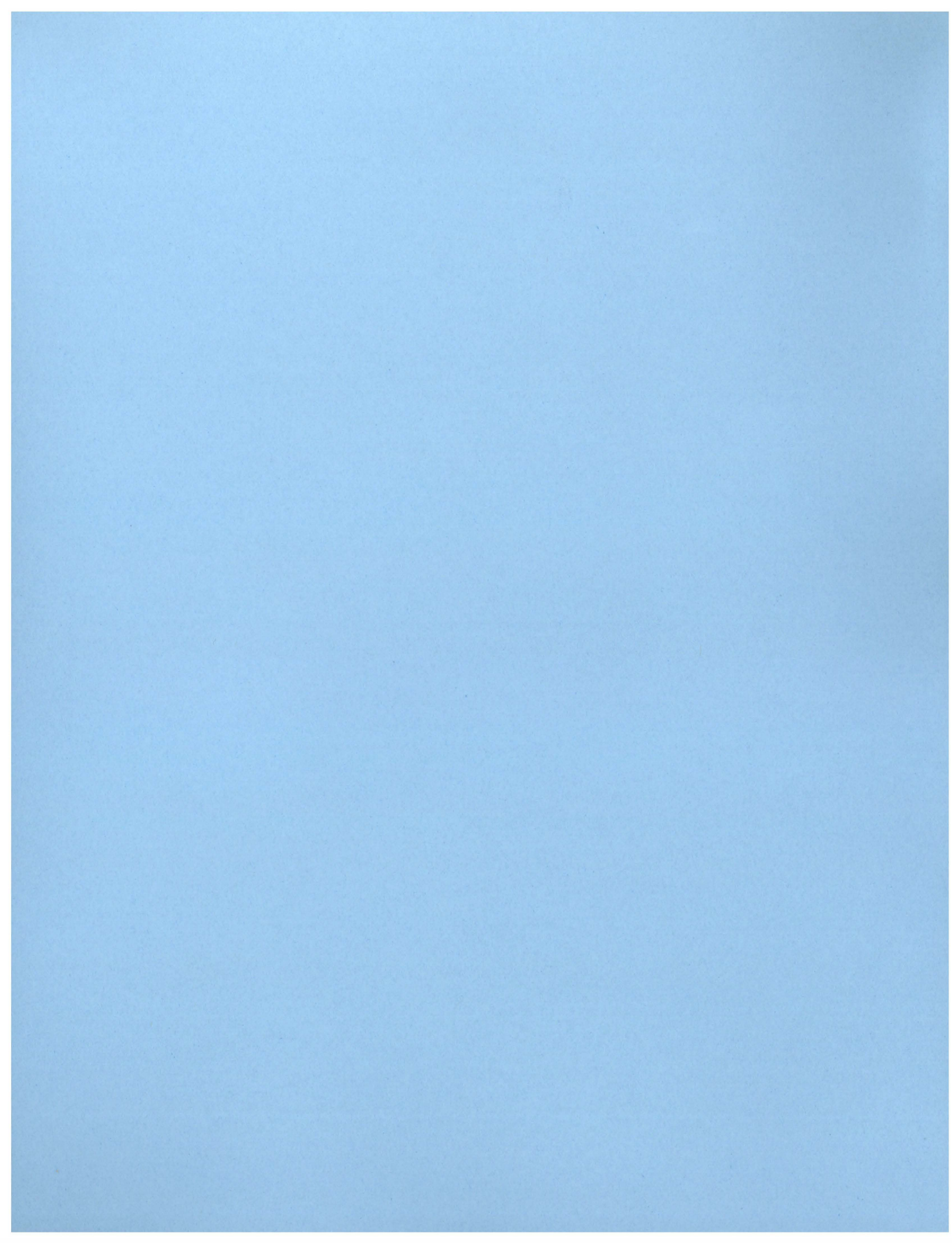
Bank as at the time of registration of imports, importers are required to give an undertaking that in the event of misrepresentation, a sum of 3 rials per US \$1 of the amount of the import order for goods may be forfeited by the Central Bank, whether in the case of bills for collection or documentary letters of credit.

With kindest regards,

Yours sincerely,

  
Ali Hezareh,  
Director,  
Research Department

Mr. A. K. El Selehdar,  
Chief, Eastern Division,  
Middle Eastern Department,  
International Monetary Fund,  
Washington, D.C. 20431



March 7, 1967

Dear Dr. Hezareh:

The attached request is a reminder that we need to receive your preliminary balance of payments report for the year 1966 by the beginning of April. Our minimum requirements for 1966 figures to provide the statistical background in drafting the Fund's Annual Report are given as an alternative presentation, which you might find it possible to use if full details are not available. We should of course prefer to receive your estimates in standard form on our Table A.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Enclosures

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY

IMF REQUEST FOR PRELIMINARY 1966 BALANCE OF PAYMENTS DATA

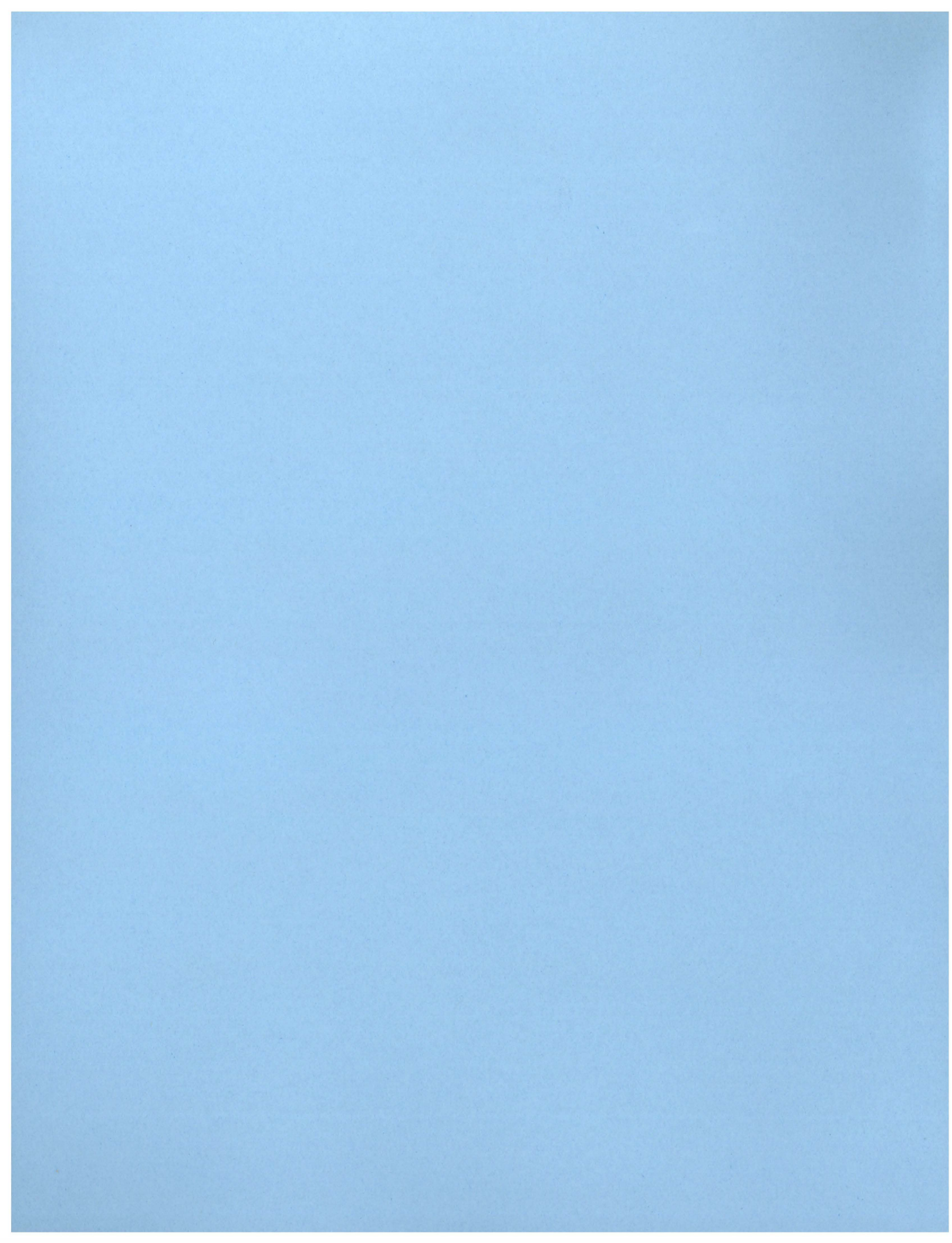
In the Fund's annual request for balance of payments information, sent out on May 1, 1966, the date for supplying your preliminary 1966 report is April 1, 1967. Our immediate use for the preliminary information covering 1966 will be in drafting those sections of the Fund's next Annual Report that will deal with the balance of payments of groups of countries and individual countries. This work will commence early in April, and it is important that the Fund should receive your preliminary report by the date requested.

The enclosed copies of Table A of the Fund's reporting forms are for your preliminary 1966 balance of payments report. If all details are not yet available, a statement giving rough estimates or even omitting certain items would be acceptable. In any event, your report should specify at least the following broad categories of transactions:

1. Exports
2. Imports
3. Balance on services and private transfer payments
4. Central government transfer payments
5. Private long-term capital transactions of nonmonetary sectors, showing separately (if available) assets and liabilities and specifying significant types of transactions (e.g., direct investment)
6. Private short-term capital transactions of nonmonetary sectors
7. Capital transactions of central government
8. Commercial bank long-term assets and liabilities
9. Commercial bank short-term assets and liabilities
10. Official reserves, including net IMF positions
11. Other assets and liabilities of central monetary institutions
12. Net errors and omissions

Your report should include, if possible, explanatory notes about unusual transactions that were particularly significant and should point out weaknesses in the provisional estimates that might seriously affect their comparability with the figures you have reported for earlier years.

The Fund would particularly appreciate being notified immediately about any delay that you can foresee in providing your report. If you will not be able to meet the April 1 deadline, please let us know the date on which we may expect to receive your statement.



February 21, 1967

Dear Dr. Hezareh:

Thank you for your letters of January 29 (reference number Res. 2045), February 7 (Res. 2082), and February 14 (2115), which contain additional information on Iran's balance of payments for the years 1343 and 1344.

We have taken up with Mr. Pour-Kashani, who is attending the balance of payments course at the IMF Institute, the problems posed by your new computation of the transactions of the oil sector and have reached the conclusion that for the current Yearbook we should continue to use the old method of calculating the transactions of the foreign-owned oil companies. The reasons will be discussed in the memorandum that will accompany the draft Iranian section of our eighteenth Yearbook, which we hope to send you in a few weeks.

We have also discussed with Mr. Pour-Kashani the possibility of using figures for approximate standard years in our next Yearbook. From your January 29 letter, it appears that reasonably precise information is available on discounted posted prices of crude oil and other oil products and on direct investment capital of the oil consortium. Since other relevant information is available from the Treasury Department of Iran, from the consortium, or from the exchange record, we believe that standard-year transactions of the oil consortium could be reported to us, as shown in the attached annex table. Of course, once details become available, the transactions of the other oil companies should be reported on the same basis.

Since it appears that all other balance of payments transactions can be put on an approximate standard-year basis, we hope that you will assist us in deriving consistent balance of payments figures for 1962-66 for publication in the nineteenth volume of our Yearbook.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Dr. Ali Hezareh  
Director  
Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY

1/

Transactions of the Foreign-Owned Oil Companies  
(In millions of U.S. dollars)

	1963	1964
<b>A. Gross Income</b>		
Exports (multiply quantity exported by undiscounted posted prices for 1963 and by discounted posted prices for 1964)	1,085.0	993.0
Local sales (representing the percentage of stated payments in kind to Iranian Government)	64.0	64.0
Other local income (derived by difference between total rial payments made in Iran by the oil companies and the total amounts of foreign exchange converted into rials) <sup>2/</sup>	6.0	6.0
Total income	1,155.0	1,063.0
<b>B. Cost of Production</b>		
Imports (as provided by the oil companies or as shown in the trade returns)	-52.0	-52.0
Other expenditures abroad (as provided by the oil companies; presumably the amounts include salary remittances abroad)	-22.0	-22.0
Local expenditures (as provided by the oil companies)	-77.0	-77.0
Addition to plant (as provided by the oil companies)	42.0	42.0
Depreciation (as provided by the oil companies)	-60.0	-60.0
Changes in stock of oil and material (as provided by the oil companies; changes in stock of oil can be derived by difference between gross production, on the one hand, and exports plus internal consumption plus estimated amounts of oil pumped back into the wells, on the other hand)	10.0	10.0
Total cost of production	-159.0	-159.0
<b>C. Local Royalties and Taxes</b>		
Royalties, rents, etc. (representing the total value of stated payments in kind and in cash or 12.5 per cent of the undiscounted posted price of crude oil exported by the trading companies or delivered for their account to the refinery at Abadan)	-135.0 <sup>3/</sup>	-135.0 <sup>3/</sup>
Taxes charged to current income	-363.0 <sup>4/</sup>	-384.5 <sup>4/</sup>
Total royalties and tax payments	-498.0	-519.5
<b>D. Net Investment Income</b>	498.0	384.5
<b>E. Changes in Other Net Local Assets</b>	32.0	32.0
<b>F. Foreign Exchange Conversions</b>	537.0	558.5

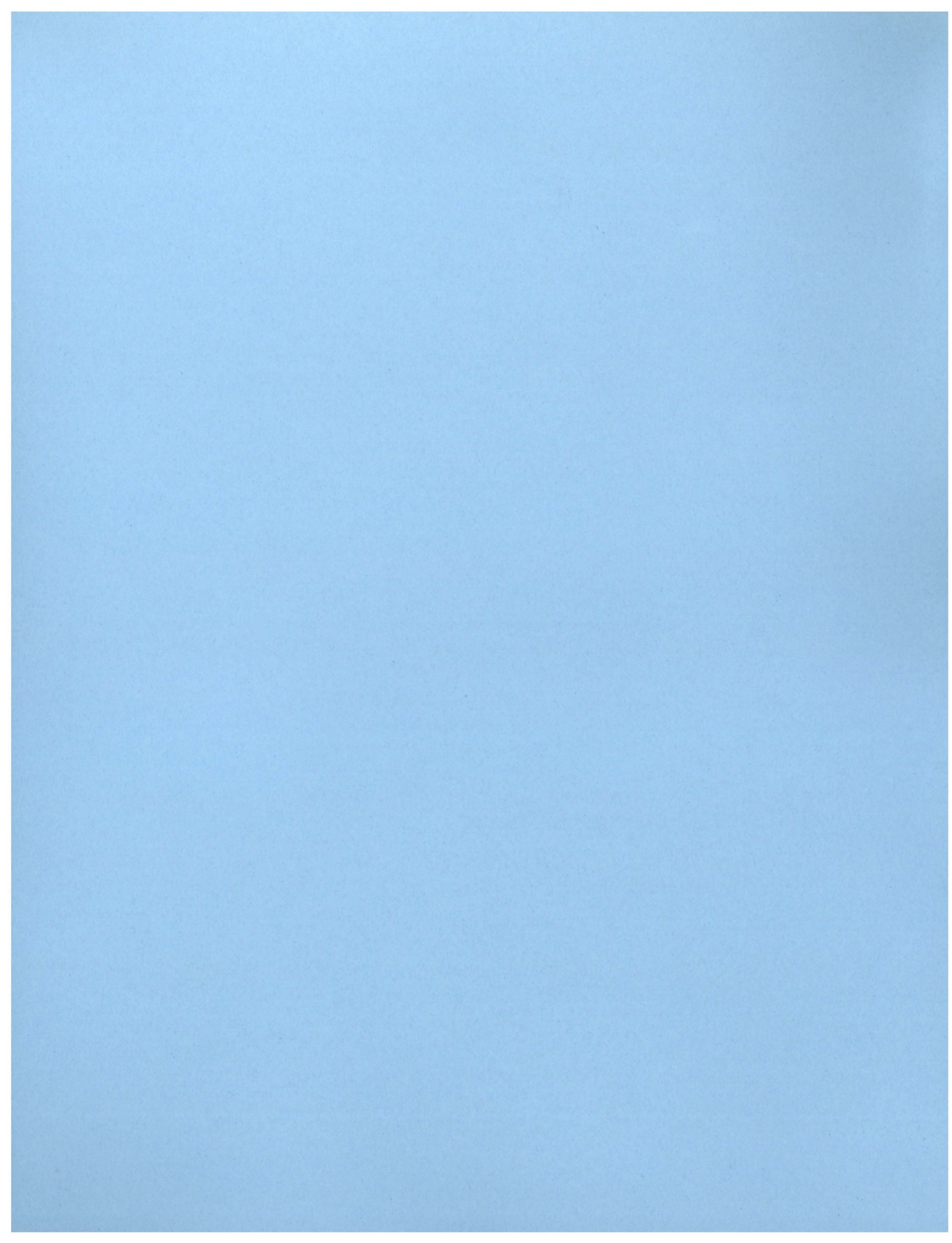
<sup>1/</sup> The amounts in Groups A through F, which are for the purpose of illustration only, add up to zero. Similarly, the real figures that should replace the figures presented in this example, should add up to zero. Should the sum of these groups add up to another total, this total would indicate the net errors and omissions in any or all of the transactions listed herein.

<sup>2/</sup> This information can be derived from the "Review" of the Iranian Oil Operating Companies. Should the oil consortium not have rial income, then the oil companies' expenditures in rials would be reflected in the reduction of their other net local assets in Group E, rather than in Group A.

<sup>3/</sup> Of this amount, \$64 million has been paid in kind (see transactions in Group A).

<sup>4/</sup> Excluding the amounts of foreign exchange on account of stated payments in cash which amount to \$71 million. Thus, total foreign exchange receipts would amount to \$434 million for 1963 and \$455.5 million for 1964.





*Bank Markazi Iran*  
(The Central Bank of Iran)

242975

JA  
03  
UD

CABLES : MARKAZBANK

*Tehran*, February 14, 1967

Res. No. 2115

Dear Mr. Smith,

Further to our letter dated January 22, 1967 we regret that due to typing errors the second draft of our balance of payments (Table A) has been changed, and we enclose a copy of the same table for your information.

Yours sincerely,

*Bahman Homayoon*

Bahman Homayoon,  
Deputy Director,  
Research Department

Mr. John S. Smith,  
Assistant Director,  
(for Balance of Payments Division)  
Research and Statistics Division

TABLE A

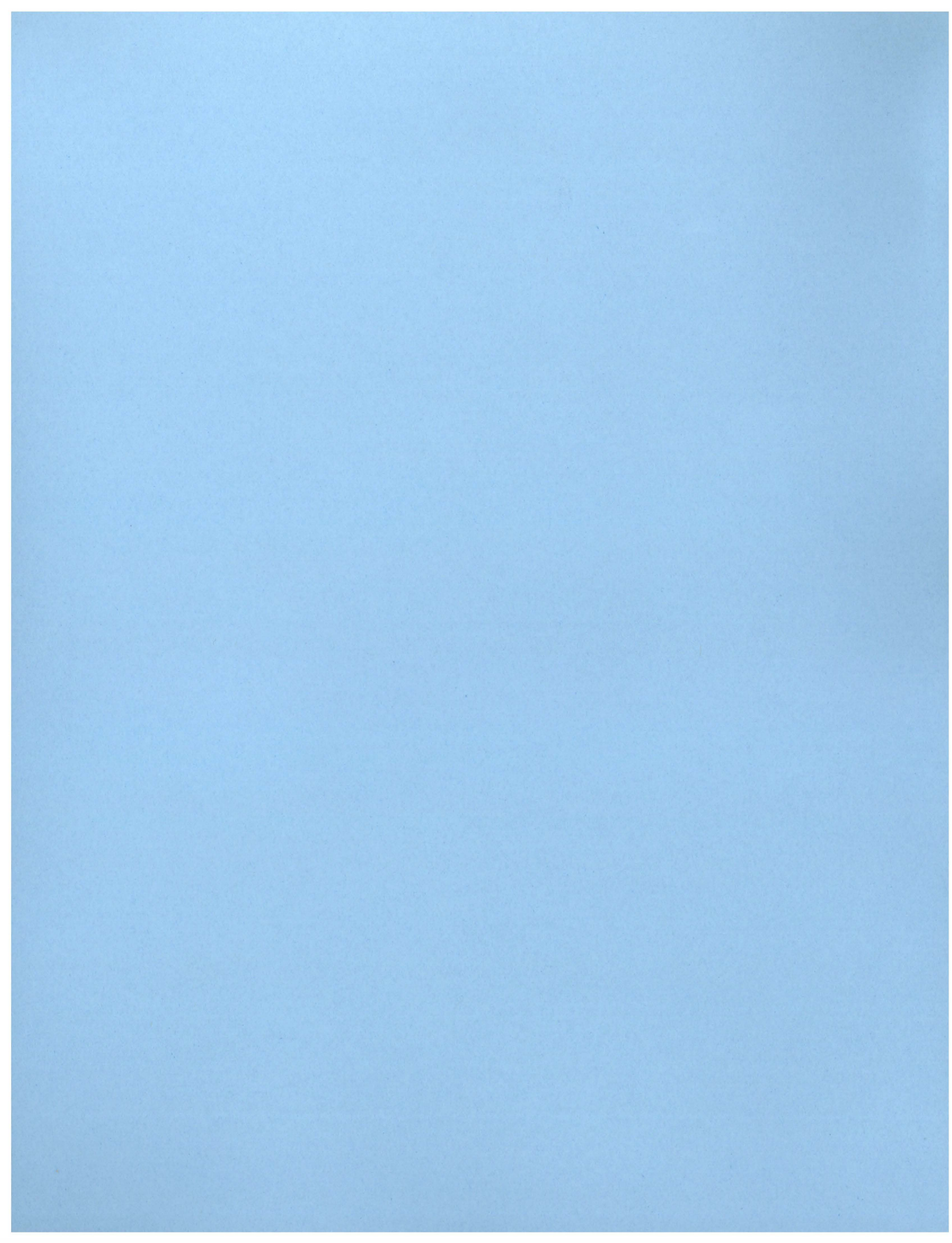
## CURRENT AND CAPITAL TRANSACTIONS

\$ million

	1343		1344	
	Credit	Debit	Credit	Debit
A. Goods and Services	<u>1,136.7</u>	<u>1,167.0</u>	<u>1,385.9</u>	<u>1,552.9</u>
1. Merchandise	1,067.9	732.2	1,283.8	856.5
1.1 Oil sector	914.8	69.5	1,103.0	98.8
1.2 Other	153.1	662.7	180.8	757.7
2. Non-monetary gold	-	0.4	-	0.5
3. Freight and merchandise insurance	1.0	-	1.0	-
4. Other transportation	6.8	12.7	8.5	11.4
4.1 Passenger fares	6.1	10.2	7.5	9.4
4.2 Time charters	-	2.5	-	2.0
4.3 Bunker fuel	0.7	-	1.0	-
5. Travel	14.0	52.0	21.0	73.1
6. Investment income	2.7	281.1	7.7	437.9
6.1 Oil Consortium	-	262.6	-	421.5
6.2 Other	2.7	18.5 ✓	7.7	16.4
7. Government, not included elsewhere	18.5	46.0	26.0	79.9
8. Other services	25.8	42.6	37.9	93.6
8.1 Oil Consortium	-	21.8	-	46.8
8.2 Other	25.8	20.8	37.9	46.8
Net goods and services	-	30.3	-	167.0
Trade balance (1 and 2)	335.3	-	426.8	-
Net services	-	365.6	-	593.8
B. Transfer Payments	<u>11.6</u>	<u>2.6</u>	<u>10.5</u>	<u>0.3</u>
9. Private	2.2	0.1	2.5	0.2
10. Central government	9.4	2.5	8.0	0.1
Net total (1 through 9)	-	28.2	-	164.7
Net total (1 through 10)	-	21.3	-	156.8

TABLE A (Continued)

	1343		1344	
	Credit	Debit	Credit	Debit
C. Capital and Monetary Gold	<u>249.5</u>	<u>208.1</u>	<u>291.1</u>	<u>98.3</u>
11. Private long-term capital	187.9	1.7	121.9	4.4
Direct investment	187.9	1.7	121.9	4.4
11.1 Oil Sector	186.3	-	118.6	-
11.2 Other	1.6	1.7	3.3	4.4
12. Other private long-term	1.0	0.4	3.2	0.6
13. Central government	34.2	73.3	83.1	61.6
13.1 Long-term loans	12.9	36.1	18.9	33.7
13.2 US Government rial holdings	2.6	-	2.7	-
13.3 Suppliers' credits	18.7	37.1	61.5	26.8
13.4 Subscription to non-mone- tary international organiza- tions	-	0.1	-	1.1
14. Central monetary institutions	17.8	121.9	82.9	20.0
14.1 IMF rial holdings	17.5	-	-	2.9
14.2 IBRD and IDA rial holdings	-	-	0.7	-
14.3 Subscription to IMF	-	-	-	14.3
14.4 Marketable assets	-	1.0	-	1.0
14.5 Exchange deposits	-	118.7	72.8	-
14.6 Other short-term assets and liabilities	-	2.2	-	1.8
14.7 Gold	0.3	-	9.4	-
16. Other monetary institutions	8.6 <sup>(17)</sup>	10.8	-	11.7
16.1 Marketable assets	1.0	-	-	-
16.2 Exchange deposits	7.5	-	-	10.1 <sup>17</sup>
16.3 Rial deposits	-	10.8 <sup>16</sup>	-	<u>1.6</u> <sup>16</sup>
16.4 Gold (Bank Melli Iran)	<u>0.1</u>	-	-	-
Net errors and omissions	-	20.1	-	36.0



*Bank Markazi Iran*  
(The Central Bank of Iran)

242570

CABLES: MARKAZBANK

Tehran, February 7, 1967


no. Res. 2082

~~AB~~  
JA  
OU  
UD

Dear Mr. Smith,

Pusuant to our letter of January 22<sup>9</sup>, 1967,  
please find enclosed a copy of our second draft  
balance of payments for the years 1343-1344.

Sincerely yours,



Ali Hezareh,  
Director,  
Research Department

Mr. John S. Smith,  
Assistant Director,  
(for Balance of Payments Division)  
Research and Statistics Division

RECEIVED  
FEB 13 5 54 PM '67  
MARKAZI BANK

RECEIVED  
INTERNATIONAL  
MONETARY FUND

FEB 13 2 23 PM '67

COMMUNICATIONS  
DIVISION

Research and Statistics Division  
(The balance of payments Division)  
Assistant Director,  
Mr. John H. Smith

Research Department  
Director,  
W.H. Herzberg  
Sincerely yours,  
*[Signature]*

Balance of payments for the years 1945-1946.  
Please find enclosed a copy of our second draft  
Pursuant to our letter of January 24, 1967,  
Dear Mr. Smith,

CABLES: MARKSBANK

London, February 1, 1967

no. 64- 5085  
AD  
07  
AC  
AD

*(The Central Bank of Spain)*  
*Bank of Marksbank, S.A.*

541250

Balane of Payments of Iran

1343 - 1344

(1964-65 and 1965-66)

Second Draft

A summary of the balance of payments of Iran for the years 1343-1344 is given in the attached Table A. This statement has been prepared in accordance with International Monetary Fund Manual. It shows all economic transactions of Iran with foreigners and therefore includes clearing transactions, as well as transactions involving exchange of foreign or local currency. Some of the data previously given in First Draft, mainly those for oil sector transactions, have been revised.

The entries for merchandise trade are based on Customs Statistics while those for services and capital account are derived from exchange records.

However, a few adjustments have been made for oil exports, imports and travel accounts. The adjustment for oil exports is based on discounts accepted by the Government of Iran over the posted price (8.5 per cent for 1964, 7.5 per cent for 1965 and 6.5 per cent for 1966).

The figures are given in US dollars, the buying rate US \$1 = Rls. 75.00 for exports and selling rate US \$1 = Rls. 76.50 for imports.

The statement treats the Oil Consortium as a resident of Iran, covering its transactions relating to production and export of oil from this country. Information regarding new investment and operating costs of the Oil Consortium in Iran has been derived from the Consortium itself. The difference in the calendars used by the Oil Consortium (Gregorian) and the Government of Iran (Solar) influences the "Net errors and omissions" figures.

Details of some items in Table A are given in the following notes and all amounts are stated in million of US dollars.



TABLE A  
CURRENT AND CAPITAL TRANSACTIONS

\$ million

	1343		1344	
	Credit	Debit	Credit	Debit
A. Goods and Services	<u>1,136.7</u>	<u>1,162.0</u>	<u>1,385.9</u>	<u>1,553.7</u>
1. Merchandise	1,067.9	739.2	1,283.8	856.5
1.1 Oil sector	914.8	69.5	1,103.0	98.8
1.2 Other	153.1	662.7	180.8	757.7
2. Non-monetary gold	-	0.4	-	0.5
3. Freight and merchandise insurance	1.0	-	1.0	-
4. Other transportation	6.8	12.7	8.5	11.4
4.1 Passenger fares	6.1	10.2	7.5	9.4
4.2 Time charters	-	2.5	-	2.0
4.3 Bunker fuel	0.7	-	1.0	-
5. Travel	14.0	52.0	21.0	73.1
6. Investment income	2.7	281.1	7.7	437.9
6.1 Oil Consortium	-	262.6	-	421.5
6.2 Other	2.7	18.5	7.7	16.4
7. Government, not included elsewhere	18.5	46.0	26.0	79.9
8. Other services	25.8	42.6	37.9	93.6
8.1 Oil Consortium	-	21.8	-	46.8
8.2 Other	25.8	20.8	37.9	46.8
Net goods and services	-	30.3	-	167.0
Trade balance (1 and 2)	335.3	-	426.8	-
Net services	-	365.6	-	593.8
B. Transfer Payments	<u>11.6</u>	<u>2.6</u>	<u>10.5</u>	<u>0.3</u>
9. Private	2.2	0.1	2.5	0.2
10. Central government	9.4	2.5	8.0	0.1
Net total (1 through 9)	-	28.2	-	164.7
Net total (1 through 10)	-	21.3	-	156.8

1,167.0 made  
732.2 made.

see previous report

accord to the note item

TABLE A 9(continued)

	1343		1344	
	Credit	Debit	Credit	Debit
C. Capital and Monetary Gold	<u>249.5</u>	<u>208.1</u>	<u>291.1</u>	<u>95.1</u>
11. Private long-term capital	187.9	1.7	121.9	4.4
Direct investment	187.9	1.7	121.9	4.4
11.1 Oil sector	186.3	-	118.6	-
11.2 Other	<u>1.6</u>	<u>1.7</u>	<u>3.3</u>	<u>4.4</u>
12. Other private long-term	1.0	0.4	3.2	0.6
13. Central government	34.2	73.3	83.1	61.6
13.1 Long-term loans	12.9	36.1	18.9	<u>33.7</u>
13.2 US Government rial holdings	2.6	-	2.7	-
13.3 Suppliers' credits	18.7	<u>37.1</u>	61.5	<u>26.8</u>
13.4 Subscription to non-mone- tary international organiza- tions	-	0.1	-	1.1
14. Central monetary institutions	17.8	121.9	82.9	20.0
14.1 IMF rial holdings	17.5	-	-	2.9
14.2 IBRD and IDA rial holdings	-	-	0.7	-
14.3 Subscription to IMF	-	-	-	14.3
14.4 Marketable assets	-	1.0	-	1.0
14.5 Exchange deposits	-	118.7	72.8	-
14.6 Other short-term assets and liabilities	-	2.2	-	1.8
14.7 Gold	0.3	-	9.4	-
16. Other monetary institutions	8.6	10.8	-	8.5
16.1 Marketable assets	1.0	-	-	-
16.2 Exchange deposits	7.5	-	-	10.1
16.3 Rial deposits	-	8.2	-	1.6
16.4 Gold (Bank Melli Iran)	0.1	-	-	-
Net errors and omissions	-	20.1	-	39.2

see third draft

Notes to Table A1. Merchandise

Export figures are based on trade returns with valuation adjustment for oil exports. Import figures are also derived from trade returns, except for imports of passenger goods for 1343, which is estimated. Details of the entries are given in table below:

Table 1  
Merchandise account  
(in millions of U.S. dollars)

EXPORTS

Exports, f.o.b., from trade returns:	<u>1343</u>	<u>1344</u>
- Oil	998.0 ✓	1,189.5
Valuation adjustment for discount	<del>83.2</del> ✓	-86.5
Other than oil	<u>153.1</u>	<u>180.8</u>
	1,067.9	1,283.8

IMPORTS

Imports, c.i.f. :		
By oil companies:		
Oil consortium	52.4	67.4
National Iranian Oil Company	10.5	23.8
Others	<u>6.6</u>	<u>7.6</u>
	69.5	98.8
By other than oil companies, from trade returns	672.8	770.7
Coverage adjustment for:		
Shipments to foreign diplomatic missions	-6.1	-6.8
Imports of passenger goods	<u>-4.0</u>	<u>-6.2</u>
	662.7	757.7

2. Non-Monetary gold

It consists only of gold coins sold to the public by Bank Melli Iran.

3. Freight and merchandise insurance

This account is shown on c.i.f. basis • freight and insurance for imports are included in item 1, debit. The credit entries cover insurance claims received for lost or damaged imports.

4. Other transportation

The credit entries cover passenger fares received by Iranian carriers (line 4.1) and sales of bunker fuel to foreign vessels by the National Iranian Oil Company (line 4.3). The debit entries cover passenger fares paid to foreign airlines.

5. Travel

The credit entries represent expenditures by foreign travellers in Iran, covering both foreign exchange sold to authorized banks, as well as an estimate of the amount sold to the non-monetary sector. The debit entries show estimated expenditures of Iranian travellers and students abroad, covering foreign exchange purchased from authorized banks, as well as an estimate of the amount purchased from non-monetary sector. The debit entries also include the imports of passenger goods (4.0 for 1343 and 6.2 for 1344). The import of passenger goods for 1343 is estimated and those for 1344 is taken from trade returns.

6. Investment income

6.1. Oil Consortium. The entries represent the investment income paid to foreigners by the Oil Consortium and are calculated as shown in Table 2.

Table 2

Oil Consortium investment income  
(in millions of U.S. dollars)

	<u>1343</u>	<u>1344</u>
Oil export proceeds (net of discount)	914.8	1,103.0
Operating Costs—Operating Company	-99.7	-93.2
Operating Costs—Refining Company	-86.0 (1)	-76.2
Iran's oil revenue	<sup>23.9</sup> <sub>262.6</sub> -466.5	<sup>90.6</sup> <sub>421.5</sub> -512.1
Estimated investment income of the Oil Consortium	<u>262.6 × 2 = 525.2</u>	<u>421.5 × 2 = 843.0</u>

6.2. Other investment income. The credit entries cover interests received by Bank Markazi Iran and Bank Melli Iran. The debit entries represent interest paid on long-term official loans and credits (17.4 for 1343 and 16.2 for 1344), charges on IMF drawings (0.1 for 1343) and interest paid on IBRD and U.S. loans to the private sector (0.2 for 1343 and also for 1344).

(1) Excluding \$13.4 million special payment to Iran as a result of changes in the computation of exploration and drilling cost for 1342. This amount is treated as Consortium investment. (see item 11.1).

7. Government, not included elsewhere.

Details of the entries are shown in Table 3.

Table 3

Government, n.i.e.  
(in millions of U.S. dollars)

R e c e i p t s	<u>1343</u>	<u>1344</u>
Foreign diplomatic expenditures in Iran	9.8	14.3
Iranian Government receipts from abroad	8.7	11.7
Item 7 Credit	<u>18.5</u>	<u>26.0</u>
.....		
P a y m e n t s	<u>1343</u>	<u>1344</u>
Iranian diplomatic expenditures abroad	8.3	8.3
Purchases of services by Plan Organization	11.5	12.4
Other expenditures by Iranian Government	18.9	54.2
Technical assistance services financed by:		
United Nations	4.0	3.0
U.S. Government	3.3	2.0
Item 7 debit	<u>46.0</u>	<u>79.9</u>

8. Other services

8.1. Oil Consortium. The entries show purchase of services by the Oil Consortium for operation in Iran as reported by themselves.

8.2. The entries are based on exchange records. The debit entries include foreign exchange expenditure (other than those for merchandise imports and travel) of the National Iranian Oil Company (13.8 for 1343 and 35.4 for 1344).

9. Private transfer payments

The credit entries cover an estimate of private donations in kind (1.0 for 1343 and also for 1344), U.S. surplus agricultural commodity grants through private agencies (0.8 for 1343) and other extra ordinary relief (0.4 for 1343), as derived from U.S. official sources. U.S. PL 480 grants through CARE amounted to \$2.1 million in 1344 as reported by the said Mission in Iran.

	<u>1343</u>	<u>1344</u>
Donations in kind	1.0	1.0
U.S. aid through private	0.8	-
" " extraordinary	0.4	-
CARE	-	2.1
	<u>2.2</u>	<u>3.1</u>

10. Central Government transfer payments

The credit entries cover grants received from the U.S. Government (5.4 for 1343 and 2.5 for 1344) and U.N. technical assistance grants (4.0 for 1343 and 5.5 for 1344). U.S. and U.N. grants are partly in the form of imports and partly in the form of services; the services obtained through these grants are entered as debit in item 7.

11. Private long-term capital:

11.1. Oil sector investment. The entries cover changes in investment by the ~~foreign~~ oil companies as shown below:

Table 4

Oil sector investment  
(in millions of U.S. dollars)

	<u>1343</u>	<u>1344</u>
Oil Consortium net investment (new investment minus fixed assets charges and depreciation)	-17.6	64.6
Special payment to Iran as a result of changes in the computation of exploration and drilling	13.4	-
Advance made to the Treasury General	-	36.0
Other oil companies investment (estimate)	<u>190.5</u>	<u>18.0</u>
	186.3	118.6

X 11.2 Other direct investment. The credit entries show new investment by foreign industrial companies. These investments are partly in the form of imports and partly in the form of cash remittances. The debit entries represent repayment of principal and (profit on foreign investment) for which separate figures are not available.

12. Other private long-term capital

Credit entries show drawings on and debit entries cover repayments of IBRD, IFC, and AID loans to the private sector.

13. Central Government

13.1 Long-term loans. Details of this account are given in Table 5.

Table 5

Long Term Loans  
(in millions of U.S. dollars)

	1343	1344
Drawings from :		
IBRD (for Plan Organization)	1.5	7.0 ✓
Germany (for Plan Organization)	6.0	4.2 ✓
U.S. Government:		
AID loan (for Plan Organization)	1.3	2.8
EX-IM Bank loans	-	4.9
Loan in Iranian rials	<u>4.0</u>	<u>-</u>
	12.8	18.9
Repayments to:		
IBRD	5.3	4.6
United Kingdom:		
Compensation to the British Petroleum Co.	7.0	7.0
U.S. Government:		
EX-IM Bank loans	11.4	9.5
AID loans	<u>12.4</u>	<u>12.6</u>
	36.1	33.7

13.2. U.S. Government rial holdings. The entries cover changes in rial liabilities to the U.S. Government resulting from purchases (credit) made in rials of U.S. surplus agricultural commodities, and the use (debit) of the rial proceeds by the U.S. Government in Iran.

13.3. Suppliers' Credits. The entries show drawings on and repayments of foreign suppliers' credits to the government agencies and to the Ministry of War.

13.4. Subscriptions to non-monetary international organizations. Subscriptions (debit) were made to the IDA in gold (0.1 for 1343) and to the IBRD in gold (0.4 for 1344) and in rials (0.7 for 1344). The increase in Iran's liabilities resulting from rial payments are entered as credits in item 14.2.

#### 14. Central monetary institutions

14.1. IMF rial holdings. The entries cover increase (credit) in Iran's liabilities resulting from currency purchases from the IMF with rials (17.5 for 1343) and the payment of a rial subscription (0.5 for 1344, see note to item 14.3), and decreases (debit) in Iran's liabilities resulting from repurchases of rials (3.4 for 1343).

14.2. IBRD and IDA rial holdings. The entry covers an increase in Iran's liabilities resulting from the payment of a rial subscription (0.7 for 1344, see note to item 13.4).

14.4. Marketable assets. The entries represent changes in the IBRD bonds held by the Bank Markazi Iran.

14.6. Other short-term assets and liabilities. The entries show increase in clearing balances, including the balance of trade with the U.S.S.R. (debit of 2.2 for 1343 and 1.8 for 1344).

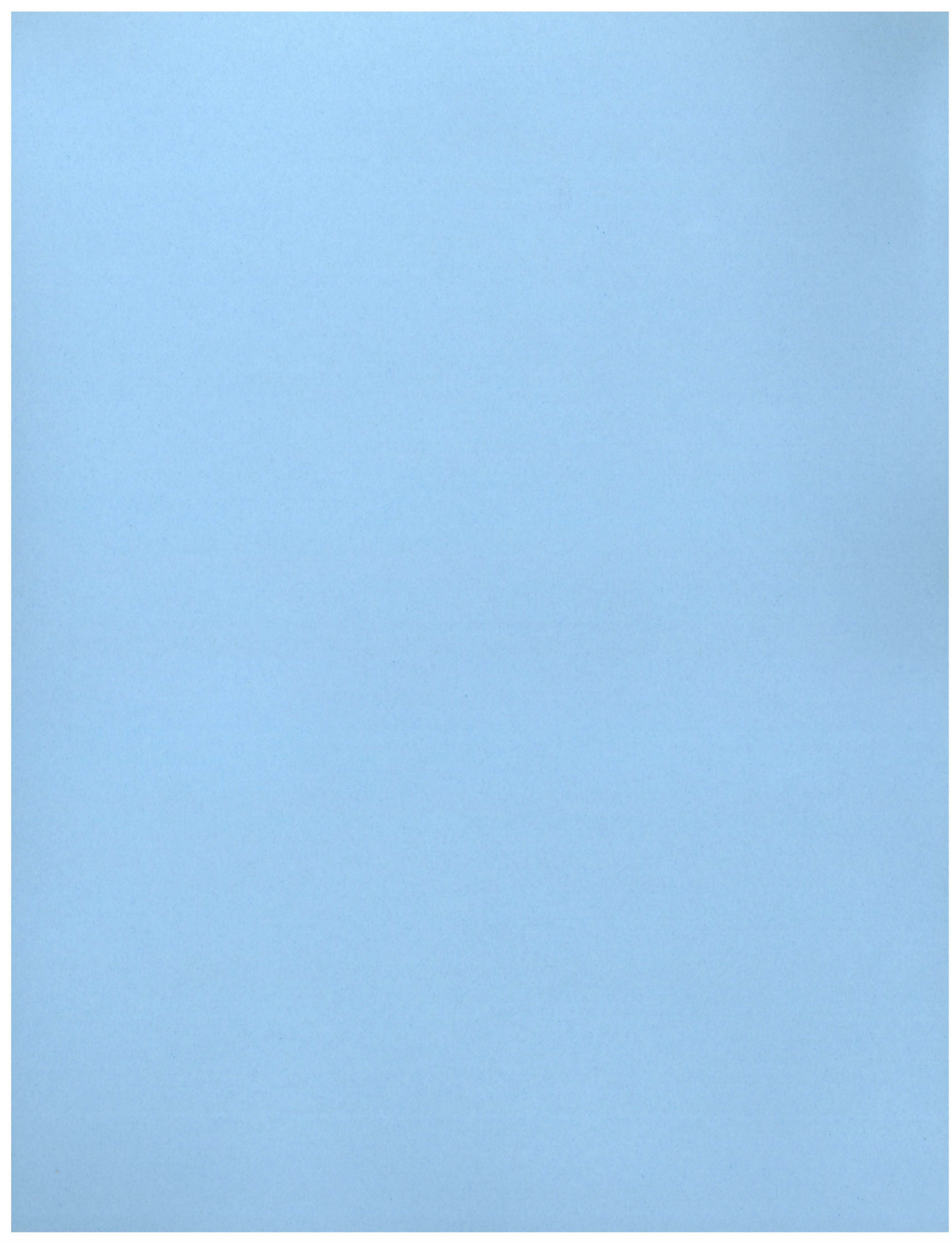
#### 16. Other monetary institutions

16.2. Exchange deposits. The entries cover balances of banks' deposits with foreign correspondents.

16.3. Rial deposits. The entries represent changes in liabilities of banks to foreign residents resulting from rial deposits excluding changes in U.S. Government rial deposits resulting from the sale of U.S. surplus agricultural commodities in Iran.

Net errors and omissions - Some errors and omissions may be attributed to the difference in the Calendar used by the Government of Iran and the Oil Consortium.





*Bank Markazi Iran*  
(The Central Bank of Iran)

242117  
AA  
JA  
OS  
UD

CABLES: MARKAZBANK

Tehran, January 29, 1967

no. Res. 2045

Dear Mr. Smith,

I am sorry for this late reply to your letter of November 2, 1966, regarding the introduction of a new method for calculating the balance of payments entries for the Oil Consortium's direct investment income and direct investment capital movements.

I wish to thank you for the schedule forwarded with your above letter, and state the fact that our Balance of Payments Division is aware of the application of the "Condensed Schedule for Reporting Transaction of Direct Investment Companies in the Oil Sector" but, however, in the absence of a balance sheet and a profit and loss account relating to the Trading Companies responsible for the export of oil from Iran, the application of the said schedule is not feasible in the case of the oil Consortium.

In order to explain the reason for the new method employed for calculating the balance of payments entries for the Oil Consortium transaction in Iran, I draw your attention to some of the highlights from the Oil Agreement which came into force in October, 1954 between Iran and a consortium of oil companies, and was supplemented by a Supplement Agreement on January 1, 1964.

To carry out the agreement the Consortium member companies formed two companies, i.e. the Iranian Exploration and Producing Company and the Iranian Oil Refining Company, jointly known as the Iranian Oil Operating Companies. They have received the necessary rights and powers from the government of Iran and the National Iranian Oil Company to carry out exploration and production of crude oil in a specified area in South Iran and to operate the refinery at Abadan. The Operating Companies themselves

cc: Mr. Pour-Kashani

do not buy or sell oil and their function is solely to produce and refine it, for which they each receive a fee of one Shilling (14 Cents) per cubic metre in addition to their operating costs. Both fees and costs are paid by the "Trading Companies" Subsidiaries or branches of the Consortium members, appointed to deal individually and independently of each other with the buying of crude oil produced in the Agreement Area from NIOC for export, either in the form of crude or refined at the Abadan Refinery.

While the National Iranian Oil Company is the owner of the fixed assets of the oil industry in South Iran, the Operating Companies have the unrestricted use of these assets during the period of the Agreement. Such fixed assets relate to exploration and production, transportation, refining and loading of crude oil, natural gas and petroleum products.

During the first ten years of operation, the Operating Companies were entitled each year to include in their operating costs a fixed assets charge of \$18.8 million in respect of the above mentioned assets.

New fixed assets installed by the Operating Companies are also considered the property of the NIOC, but the said companies have unrestricted use of them. The cost of new fixed assets is financed by the Operating Companies and placed to the debit of the NIOC free of interest. Each debt thus incurred is repayable in equal ten year period following the commencement of the use of the asset in question, or such lesser period as the NIOC may agree. The NIOC is thus credited each year by the Operating Companies with a fixed assets charge representing the cost of the new fixed assets bought until the debt is written off. The Operating Companies are entitled to include in their operating costs such fixed assets charges.

In view of the foregoing, it seems more satisfactory to make use of direct information regarding Oil Consortium investment in Iran for the balance of payment purposes, rather than using the old procedure originally suggested by the IMF, and which results in inaccurate data. To prove the above statement we present below the Oil Consortium's direct investment in Iran by the two different methods:

I- The Oil Consortium's direct investment in Iran through the procedure suggested by the Fund.

\$ million

	1343	1344
Oil export proceeds (net of discount)	914.8	1,103.0
Iran's oil revenue	-466.5	-512.1
Consortium's investment income	-466.5	-512.1
Special payment to Iran	-13.4	-
Consortium's rial expenditure	-77.3	-75.6
" imports of goods	-52.4	-46.2
" " " services	-21.8	-46.8
Advance made to the Treasury General	-	-36.0
Oil Consortium investment	-183.1	-125.8

*Handwritten notes:* 933.0 (arrow from 914.8 to -466.5), 1,024.2 (arrow from 1,103.0 to -512.1), out (arrow from -13.4 to -77.3)

*Handwritten notes:*  
 proportion of Iran's oil revenue 1343  
 Special payment under OPEC negot. 40.0  
 Bonus by other oil corp.  
 Taxes & stated payments 421.5  
 466.5

\* see page 103 of Annual Report

II- The Oil Consortium's investment in Iran through the new procedure:

A- Capital Expenditure of Producing Company (million US dollar)

Year	Fixed Assets		Mov-able Assets	Kharg Project	Explor-ation and drilling	Total
	Basic	Non-Basic				
1964 (1343)	6.16	2.80	1.12	15.40	11.76	37.24
1965 (1344)	9.24	2.24	1.40	64.96	12.60	90.44

*Handwritten notes:* 22.2, 13.3, 32.3 (next to Total); 21.56, 20.65 (at bottom)

B- Fixed assets charges and depreciation

Year	<u>Fixed Assets</u>				Total
	<u>Basic</u>	<u>Non-Basic</u>	<u>Amor-tization</u>	<u>Aban-doned wells</u>	
1964 (1343)	21.00	16.16	3.64	8.12	38.92
1965 (1344)	17.08	4.20	5.04	2.52	28.84

	<u>1964</u>	<u>1965</u>
C- Net new investment of Producing Company (A-B)	-1.68	61.60

D- Capital Expenditure of Refinery Company  
(in million US dollar)

Year	<u>Fixed Assets</u>				Total
	<u>Basic</u>	<u>Non-Basic</u>	<u>Mov-able Assets</u>	<u>Other</u>	
1964	2.80	1.68	0.84	(-0.56) (1)	4.76
1965	11.20	0.84	1.12	(-1.12) (1)	12.04

E- Fixed Assets Charges and Depreciation  
(in million US dollar)

<u>Year</u>	<u>Basic</u>	<u>Non-Basic</u>	<u>Total</u>
1964	13.44	7.38	20.72
1965	4.48	4.48	8.96

1- Preliminary expenditures on the Cham Project was transferred from capital to operating cost.

	<u>1964</u>	<u>1965</u>
F- Net new investment of Refining Company (D-E)	-15.96	3.08

	<u>1964</u>	<u>1965</u>
Net new Investment of Oil Operating Companies (C+F)	-17.64	64.68
Special payment to Iran	13.40	-
Advance made to the Treasury General	-	<u>36.00</u> ←
Oil Consortium's direct investment	<u>-4.24</u>	100.68

The above examples indicate the fact that the figure for Oil Consortium investment in Iran can vary according with method of calculation applied.

The Iranian Government's Oil revenue from the Oil Consortium includes two separate parts as follows:

- 1- Income Tax
- 2- Stated payments

1- Income Tax- Income Tax is payable to the Iranian Government by the Trading Companies on their profits from selling crude oil and products outside Iran. The profits for taxation purposes are measured by the difference between an assessment of their receipts from oil sales, and expenses which may be deducted from the receipts.

The method of assessing receipts for taxation purposes, and expense which may be deducted to arrive at the net taxable income was revised by the supplement Agreement which came into effect from January 1, 1964 mainly with respect to the treatment of stated payments.

The calculation of Trading Companies' gross receipts is based on posted prices of crude oil.

*varies if definition is different not because of recalculation applied*

The Government of Iran is authorized to determine discounts from the posted prices of crude oil. The Supplement Agreement grants specific "allowances" (discounts) to the Trading Companies with certain variations for quality and gravity. The following discounts were agreed for the years 1964, 1965 and 1966:

- 8 $\frac{1}{2}$ % of the posted price for 1964
- 7 $\frac{1}{2}$ % of the posted price (plus US \$0.0013253 per barrel for gravity variations) for 1965.
- 6 $\frac{1}{2}$ % of posted price (plus US \$0.0026470 per barrel for gravity variations) for 1966.

The procedure for determining receipts from the sale of one barrel of crude oil from Agha Jari is as follows:

	5 <u>1964</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Posted price	\$1.78	\$1.78	\$1.78	\$1.78
Less discount	-	8 $\frac{1}{2}$ %	7 $\frac{1}{2}$ %	6 $\frac{1}{2}$ %
	<u>\$1.78</u>	<u>\$1.6287</u>	<u>\$1.6465</u>	<u>\$1.6643</u>
		8365		
Less adjustment for gravity	-	-	0.0093	0.0185
	<u>-\$1.78</u>	<u>\$1.6287</u>	<u>\$1.6372</u>	<u>\$1.6458</u>
discounted posted price used in computing taxable income	\$1.78	\$1.6287	\$1.6372	\$1.6458

2- Stated Payments - The stated payments are payable to NIOC at the rate of 12 $\frac{1}{2}$  per cent of the undiscounted posted price of crude exported by the Trading Companies or delivered for their account to the refinery at Abadan. Until January 1, 1964, Trading Companies were permitted to deduct stated Payments in full from their income tax. From that date, however, stated Payments are not deductible from income-tax, but are included as an additional expense which may be deducted from gross receipts in arriving at the taxable income.

The present and former methods of determining tax payable on the export of crude and products are set out here in simplified examples. It should be noted that these examples are for the purposes of illustration only and show approximate figures.

Example 1—Tax payable per barrel of crude exported.

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Posted Price	1.780	1.780	1.780	1.780
Discounted Posted price for tax purposes	1.780	1.629	1.637	1.646
<u>Deductible expenses</u>				
Producing costs	0.165	0.165	0.142	0.140
Producing Fee	0.022	0.022	0.022	0.022
Office and other expenses	0.005	0.005	0.005	0.005
Stated Payments	-	0.223	0.223	0.223
	<u>0.192</u>	<u>0.415</u>	<u>0.392</u>	<u>0.415</u>
Net taxable income	1.588	1.214	1.245	1.256
<u>The share of revenue for GOI</u>				
Income tax (on the basis of 50%)	0.794	0.607	0.611	0.616
Less Stated Payments	0.223	-	-	-
Income tax payable	0.571	0.607	0.623	0.628
Add Stated Payments	0.223	0.223	0.223	0.223
Total revenue per barrel	0.794	0.830	0.846	0.851

This example assumes no change in producing costs.

0.14

0.40



Example II- Tax payable per barrel of products  
exported

<u>Estimated gross receipts of Trading Company</u>	<u>1963</u>		<u>1964</u>
Posted price of crude delivered to Abadan refinery	\$1.730		\$1.730
Less loading charges	<u>0.015</u>		<u>0.015</u>
Applicable posted price	1.715		1.715
Less 8 $\frac{1}{2}$ % discount under Supplement Agreement	<u>-</u>		<u>0.146</u>
Add refinery costs	0.637	1.715	0.632
Refinery Fee	0.022		0.022
"Uplift" less Refinery fee	<u>0.064</u>	<u>0.723</u>	<u>0.112</u>
			<u>0.766</u>
A- Estimated value of products exported		\$2.438	\$2.335
			246.1
<u>Deductible Expenses</u>			
Producing costs	0.165		0.165
Refining costs	0.637		0.632
Producing Fee	0.022		0.022
Refining Fee	0.022		0.022
Office and other expenses	0.005		0.005
B- Stated Payments (12 $\frac{1}{2}$ % of applicable posted price)	<u>-</u>	<u>0.851</u>	<u>0.214</u>
			<u>1.060</u>
Taxable income (A-B)		1.587	1.275
<u>The share of revenue for GOI</u>			
Income tax (on the basis of 50%)		0.794	0.638
Less stated payments		0.214	-
Income tax payable		<u>0.580</u>	<u>0.638</u>
Add stated Payments		<u>0.214</u>	<u>0.214</u>
Total revenue from Trading Companies (excluding 1.00.C. income tax)		\$0.794	\$0.852

Moreover, the Iranian Government receives income tax from the Iranian Oil Operating Companies (Exploration & Producing Company and Oil Refining Company) on the basis of Trading Companies.

The Operating Companies are entitled to the following fees subject to income tax on the basis of 50 per cent:

1- Exploration and Producing Company receives one shilling (14 Cents) per cubic meter of crude oil delivered to the Trading Companies.

2- Refining Company receives one shilling (14 Cents) per cubic meter of crude oil refined for the Trading Companies.

As you notice after January 1, 1964, the date when the Supplement Agreement came into force, the assumption that revenue equally has become unrealistic.

is shared

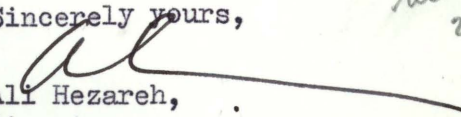
I hope you will find the above explanation satisfactory. Once again I regret the delay in answering your letter, but since I have received your letter, we have been quite busy with the revision of our earlier projections for 1345, and the 1346 projection for foreign exchange receipts and payments, the IMF Mission, the preliminary draft of the Fourth Development Plan, the outline of our own Annual Report for 1345, and many other things. As you will notice the past few months have been difficult but exciting.

The other oil companies' direct investment and direct investment capital movements in Iran is under review and the result will be forwarded to you as soon as the investigation is over.

You will also find under separate cover, the second draft of our balance of payments for the 1344.

not yet received, 2/3

Sincerely yours,

  
Ali Hezareh,  
Director,  
Research Department

Mr. John S. Smith,  
Assistant Director,  
(for Balance of Payments Division,  
Research and Statistics Division

Moreover, the Iranian Government receives income tax from the Iranian Oil Operating Companies (operated by Transocean Company and Oil Refining Company) on the basis of 10 percent.

The Operating Companies are entitled to the following item subject to income tax on the basis of 30 percent:

- 1- Profits from the Iranian Oil Operating Companies received from the Iranian Oil Refining Company (IRCO) on the basis of 10 percent.
- 2- Profits from the Iranian Oil Refining Company (IRCO) on the basis of 10 percent.

As you notice after January 1, 1964, the date when the Supplemental Agreement came into force, the amount of the revenue equally has become unutilized.

I hope you will find the above explanation satisfactory. Once again I regret the delay in answering your letter, but since I have received your letter, we have been working with the revenues of our earlier projects for 1963, and the 1964 projects for foreign exchange receipts and payments, the IRCO, the preliminary draft of the report developed from the outline of our own annual reports for 1964, and many other things. As you will notice the past few months have been difficult but exciting.

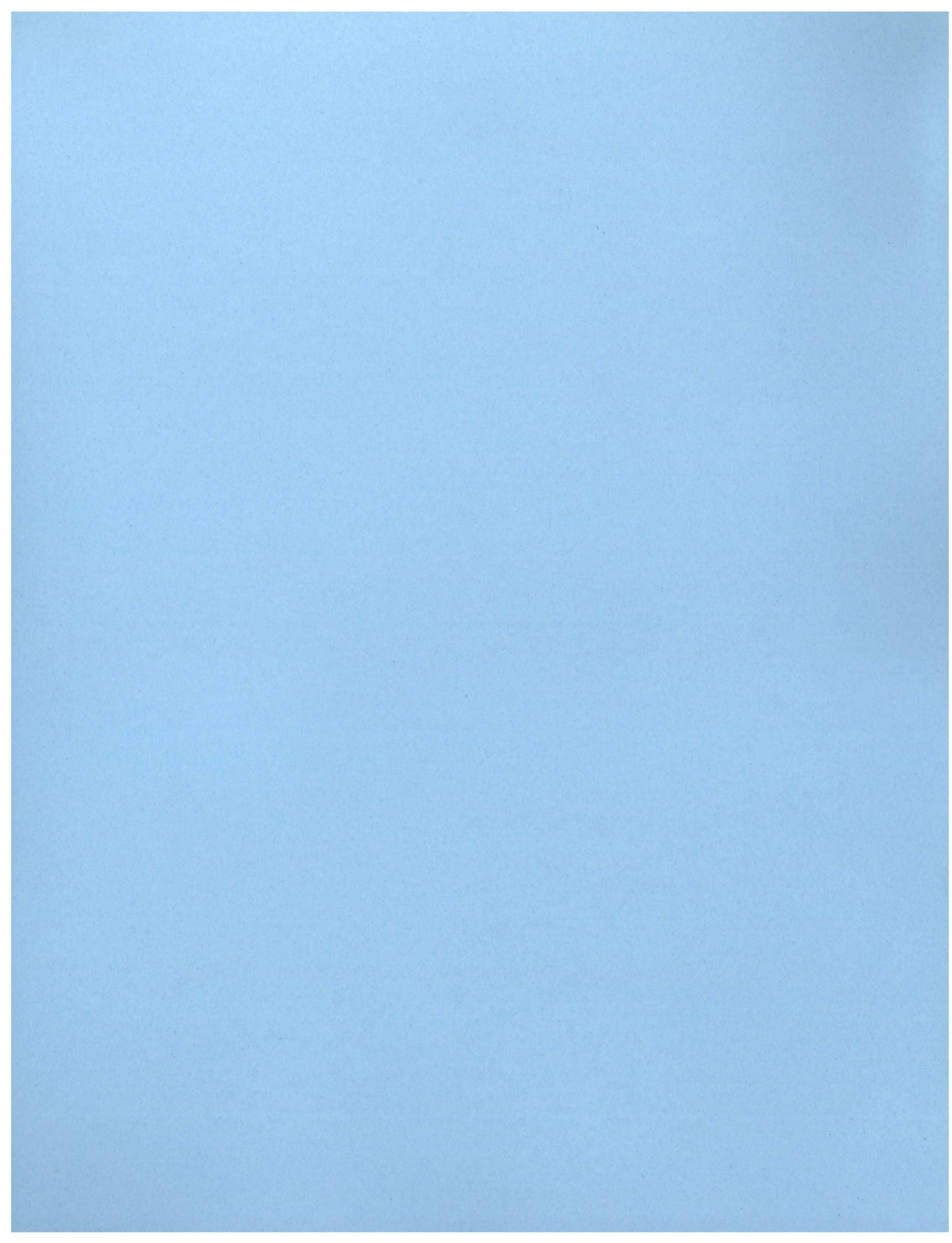
The other oil companies' investment and direct investment capital revenues are being reviewed and the result will be forwarded to you as soon as the investigation is over.

You will also find under separate cover, the second draft of our balance of payments for the 1964.

Sincerely yours,  
All yours,  
Director  
Research and Statistics Division

Mr. John S. Bell,  
Assistant Director,  
(for release of Payments Division)  
Research and Statistics Division

RECEIVED  
INTERNATIONAL  
MONETARY FUND  
FEB 3 9 32 AM '67  
COMMUNICATIONS  
DIVISION



4. Balance of Payments and Reserves

In the four years ended March 1965 Iran was in surplus in its balance of payments; in 1965/66, however, the balance of payments moved into deficit and there was a net decrease in foreign assets of \$54 million as against an increase of \$104 million in the previous year (Table 17).

Table 17. Summary of Balance of Payments <sup>1/</sup>  
(In millions of U.S. dollars)

Year ended March 20:	1963/64	1964/65	1965/66
<b>A. Receipts from Foreign Owned Oil Companies</b> <sup>2/</sup>			
Income tax and royalties	388.0	479.9	514.1
Purchase of foreign exchange from oil companies	82.8	88.9	93.4
Special payment to Iran resulting from changes in computation of ex- ploration and drilling costs of 1963/64	-	13.4	-
Concession payments	-	185.0	5.0
Advance to the Treasury General	-	-	36.0
Total	470.8	767.2	648.5
<b>B. Other Goods and Services</b> <sup>3/</sup>			
Exports f.o.b.	138.2	153.1	180.8
Imports c.i.f.	-476.6	-677.6	-811.8
Services	-65.9	-78.2	-119.3
Total	-404.3	-602.7	-750.3
<b>C. Transfer Payments and Other Non- Monetary Capital</b>			
Private transfer payments	13.8	2.1	2.3
Government transfer payments	9.8	6.9	8.4
Private non-bank capital (other than foreign-owned oil companies)	4.4	-0.5	1.5
Official loans <sup>4/</sup>	-12.0	-42.6	14.3
Other official capital	-6.2	2.5	-0.5
Total	9.8	-31.6	26.0
<b>D. Net Errors and Omissions</b>	-57.7	-29.2	21.9
<b>E. Total for Non-Oil Sector (B through D)</b>	-452.2	-663.5	-702.4
<b>F. Monetary Movements</b>			
Commercial bank capital (increase -)	-5.6	0.4	-9.0
Central monetary institutions			
IMF account	-	17.5	-17.2
Other claims (increase -)	-0.7	-121.9	70.7
Monetary gold (increase -)	-12.3	0.3	9.4
Total	-18.6	-103.7	53.9

Sources: International Monetary Fund, Balance of Payments Yearbook for 1963/64; Appendix I, Table 5 for 1964/65 and 1965/66, and supplementary information from Bank Markazi Iran.

- <sup>1/</sup> Preliminary. Except for exports and imports, all figures are on a net basis.  
<sup>2/</sup> In this table the foreign-owned oil companies are treated as foreign residents.  
<sup>3/</sup> Including transactions of the National Iranian Oil Company.  
<sup>4/</sup> Includes compensation payments (\$7.0 million in each year) to British Petroleum Company under 1955 oil agreement.

Table 5. Iran: Balance of Payments<sup>1/</sup>

(In millions of U.S. dollars)

	1964/65	1965/66
	Year ending March 20	
<u>A. Transactions of the Oil Sector</u>		
1. National Iranian Oil Company		
Sales of bunker fuel	0.7	1.0
Imports c.i.f.	-10.5	-16.9
Services	-14.8	-35.4
Total	-24.6	-51.3
2. Miscellaneous Foreign-Owned Oil Companies		
Exports f.o.b. <sup>2/</sup>	...	...
Imports c.i.f.	-6.6	-6.0
Direct investment income <sup>3/</sup>	-5.0	-2.0
Other services	22.7	14.8
Direct investment capital	190.5	18.0
Total	201.6	24.8
3. Oil Consortium		
Exports f.o.b.	914.8	1,103.0
Imports c.i.f.	-52.4	-46.2
Direct investment income	-262.6	-421.5
Other services	-21.8	-46.8
Direct investment capital	-12.4	35.2 <sup>4/</sup>
Total	565.6	623.7
4. Compensation Payments Under 1955 Oil Agreement		
	-7.0	-7.0
Total Oil Sector	735.6	590.2
<u>B. Other Goods and Services</u>		
Exports f.o.b.	153.1	180.8
Imports c.i.f.	-667.1	-794.9
Services	-64.1	-84.9
	-578.1	-699.0
<u>C. Transfer Payments and Other Nonmonetary Capital</u>		
Private transfer payments	2.1	2.3
Government transfer payments	6.9	8.4
Private non-bank capital	-0.5	1.5
Official loans and trade credit received	-35.6	21.3
Other capital	2.5	-0.5
Total	-24.6	33.0
<u>D. Net Errors and Omissions</u>		
	-29.2	21.9
<u>E. Total Non-Oil Sector (E through D)</u>		
	-631.9	-644.1
<u>F. Monetary Movements</u>		
Commercial bank capital (increase -)	0.4	-9.0
Central monetary institutions		
IMF accounts	17.5	-17.2
Other claims (increase -)	-121.9	70.7
Monetary gold (increase -)	0.3	9.4
Total	-103.7	53.9

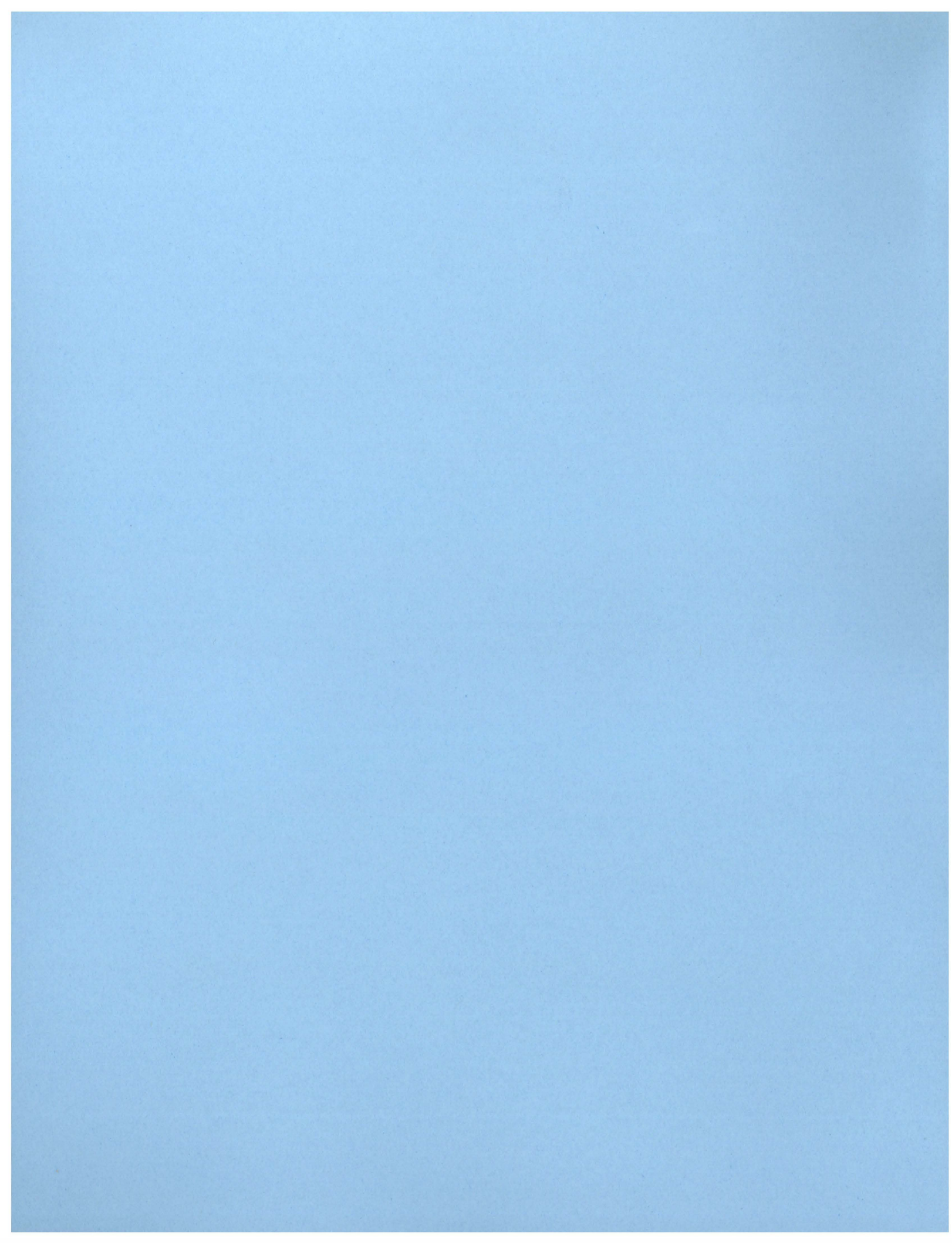
Source: Bank Markazi Iran. Footnotes on next page.

Table 5. Iran: Balance of Payments

Footnotes

- 1/ Preliminary. Except for exports and imports, all figures are on a net basis. In this table the foreign oil companies are treated as Iranian residents.
- 2/ Included in Oil Consortium exports in absence of separate accounting.
- 3/ Assumed to be equal to income payments to Iranian Government on basis of equal sharing by Government and companies of profit from operations.
- 4/ Includes advance of \$36 million to Treasury General.

Year	Exports	Imports	Balance
1948	1,000	1,000	0
1949	1,000	1,000	0
1950	1,000	1,000	0
1951	1,000	1,000	0
1952	1,000	1,000	0
1953	1,000	1,000	0
1954	1,000	1,000	0
1955	1,000	1,000	0
1956	1,000	1,000	0
1957	1,000	1,000	0
1958	1,000	1,000	0
1959	1,000	1,000	0
1960	1,000	1,000	0
1961	1,000	1,000	0
1962	1,000	1,000	0
1963	1,000	1,000	0
1964	1,000	1,000	0
1965	1,000	1,000	0
1966	1,000	1,000	0
1967	1,000	1,000	0
1968	1,000	1,000	0
1969	1,000	1,000	0
1970	1,000	1,000	0
1971	1,000	1,000	0
1972	1,000	1,000	0
1973	1,000	1,000	0
1974	1,000	1,000	0
1975	1,000	1,000	0
1976	1,000	1,000	0
1977	1,000	1,000	0
1978	1,000	1,000	0
1979	1,000	1,000	0
1980	1,000	1,000	0
1981	1,000	1,000	0
1982	1,000	1,000	0
1983	1,000	1,000	0
1984	1,000	1,000	0
1985	1,000	1,000	0
1986	1,000	1,000	0
1987	1,000	1,000	0
1988	1,000	1,000	0
1989	1,000	1,000	0
1990	1,000	1,000	0
1991	1,000	1,000	0
1992	1,000	1,000	0
1993	1,000	1,000	0
1994	1,000	1,000	0
1995	1,000	1,000	0
1996	1,000	1,000	0
1997	1,000	1,000	0
1998	1,000	1,000	0
1999	1,000	1,000	0
2000	1,000	1,000	0
2001	1,000	1,000	0
2002	1,000	1,000	0
2003	1,000	1,000	0
2004	1,000	1,000	0
2005	1,000	1,000	0
2006	1,000	1,000	0
2007	1,000	1,000	0
2008	1,000	1,000	0
2009	1,000	1,000	0
2010	1,000	1,000	0
2011	1,000	1,000	0
2012	1,000	1,000	0
2013	1,000	1,000	0
2014	1,000	1,000	0
2015	1,000	1,000	0
2016	1,000	1,000	0
2017	1,000	1,000	0
2018	1,000	1,000	0
2019	1,000	1,000	0
2020	1,000	1,000	0
2021	1,000	1,000	0
2022	1,000	1,000	0
2023	1,000	1,000	0
2024	1,000	1,000	0
2025	1,000	1,000	0
2026	1,000	1,000	0
2027	1,000	1,000	0
2028	1,000	1,000	0
2029	1,000	1,000	0
2030	1,000	1,000	0





Mr. Schwartz

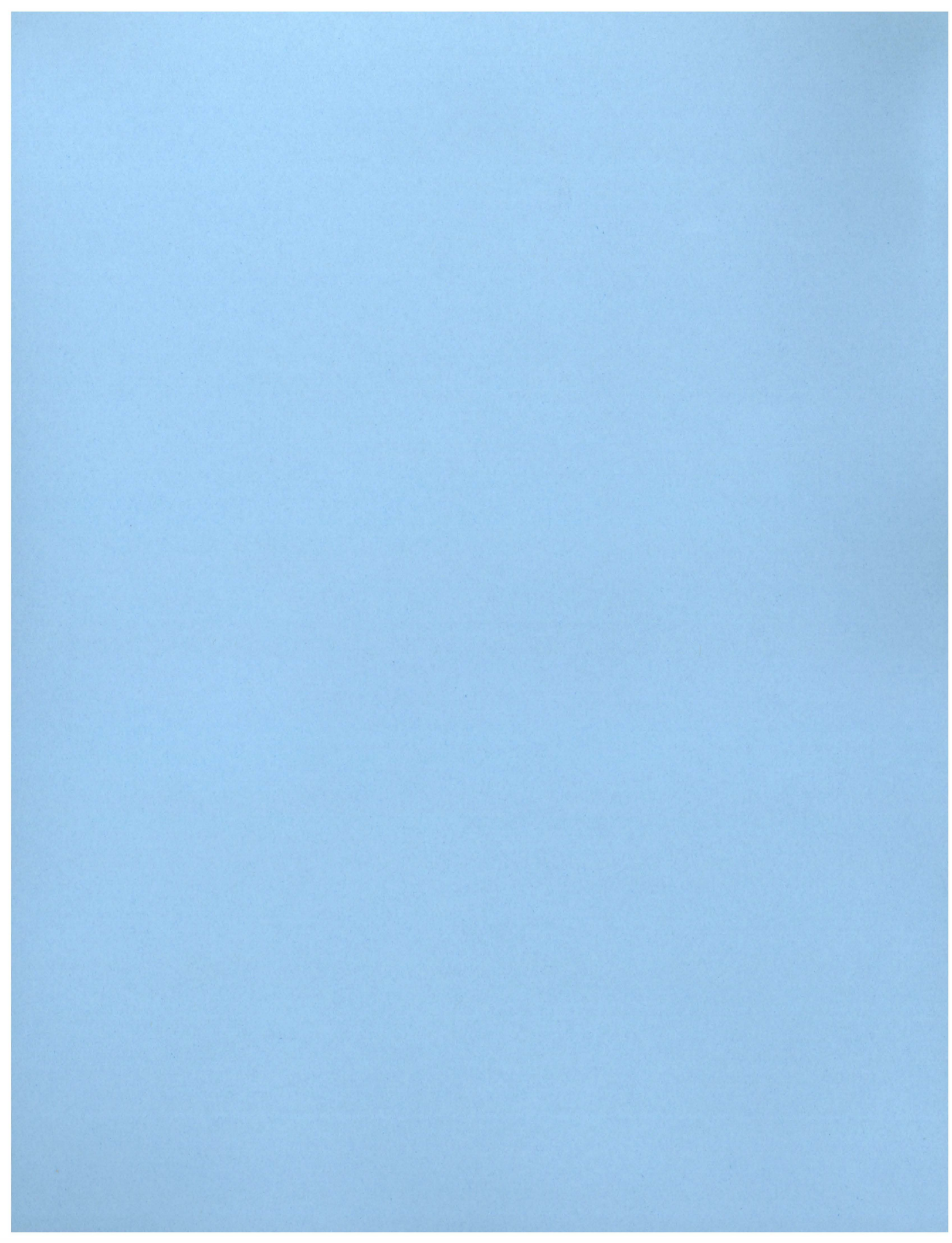
January 9, 1967

Umberto Dell'Anno

Iran - Consultations Paper

I have no comments to make either on the text or on the balance of payments tables on pages 41 in Part II and 57 in Appendix I. Agreement between our Division and the Middle Eastern Department on this material was reached prior to completion of the draft.

A few minor corrections (see page 24 of Part I and page 1 of Part II) that I suggested have been accepted by Mr. El Selehdar.



Condensed Schedule for Reporting Transactions of Direct Investment  
Companies in the Oil Industry

---

Purpose of the Condensed Schedule

This schedule has been prepared by the Balance of Payments Division of the International Monetary Fund to facilitate the collection of data on transactions of direct investment companies in the oil industry by countries reporting these transactions to the Fund. It is an abbreviated version of the Schedule for Reporting International Transactions of Direct Investment Companies in the Venezuelan Oil Industry that was prepared in September 1951. Therefore, the Explanatory Remarks relating to that Schedule are applicable to this condensed schedule as well and should be consulted for an explanation of the broader relationships between the balance of payments and the transactions of a direct investment company.

While the schedule has been prepared for the specific purpose of compiling oil company transactions, it is, of course, equally applicable to the recording of the transactions of other direct investment companies. It is particularly well suited to the collection of data from direct investment companies which carry out a large proportion of a country's international transactions, including exports and imports, since it provides a check on the internal consistency of the balance of payments entries for the transactions of such companies in all categories and thus helps in eliminating errors and omissions in the recording of the transactions of the companies. For direct investment companies that participate in a country's exports and imports to a lesser extent, a much simpler questionnaire covering only investment income and capital movements is ordinarily adequate.

General Note to the Condensed Schedule

In the condensed schedule, the entries for the international transactions of a direct investment company are derived from its Profit and Loss Statement and other data from its books. The first two columns, headed "Total transactions," cover the transactions entering the company's profit and loss account as well as capitalized expenditures, which are included in both debit and credit entries. The balancing entry (item D) in these columns should, therefore, represent the income that accrues to the owners of the company (here assumed all to be foreigners). The entries in these columns carry the same sign as in the books of the company.

The entries for oil company transactions should be distributed between the columns for international transactions and those for local transactions, in accordance with the character of the transactions. In the schedule, the place where the transaction should (or may) be entered is indicated by a number (reference to Table A of the Balance of Payments Manual) in the columns for international transactions and an "x" in the columns for local transactions. The additive principle of the schedule is that the entries in columns 3 through 6 should have the same net balance and the same sign (i.e., debit or credit) as columns 1 and 2. To facilitate the use of the schedule in collecting data, the debit columns precede the credit columns in accordance with the practices of business accounting; thus, in columns 3 and 4, the usual order of credit and debit entries in balance of payments statements is reversed.

The schedule includes changes in the local assets and liabilities of the direct investment companies concerned. Changes in real assets are entered with the same sign (debit or credit) in columns 1 and 2, on the one hand, and columns 3 and 4, on the other. Capitalized expenditures, including increases in inventories, represent credits; and depreciation, and decreases in inventories, represent debits. Changes in local financial assets and liabilities are entered with opposite sign in columns 3 and 4, on the one hand, and columns 5 and 6, on the other. In columns 3 and 4, the same rules of debit and credit apply to changes in real assets and to those in financial assets and liabilities. An increase in assets is shown in these columns as a credit, and a decrease in assets is shown as a debit; and vice versa for liabilities. A net credit balance of changes in assets and liabilities so recorded, or the increase in net local assets, real and financial, represents an inflow of capital, which is a credit in the balance of payments. The use of the same signs for transfers from columns 1 and 2 to columns 3 and 4, and of opposite signs for transfers between columns 3 and 4, on the one hand, and columns 5 and 6, on the other, follows from the additive principle underlying the schedule.

Entries in the columns for international transactions represent the company's transactions with residents of countries other than the country in which the company is operating. Thus, transactions entered in these columns are balance of payments transactions for the reporting country with the rest of the world. Entries in the columns for local transactions represent the company's transactions with residents of the country in which the company is operating. Thus, transactions entered in these columns do not represent balance of payments transactions for the reporting

1/ country. The balance of the company's transactions with residents (including changes in its holdings of local money and other local financial assets and liabilities) is equivalent to its net sales of foreign exchange to acquire local currency plus any foreign exchange used directly in settling local transactions. This balance is entered in item F and should be calculated independently. The columns for local transactions, therefore, function as a check on the accuracy of the balance of payments entries.

The entry for net sale and use of foreign exchange in column 6 represents a credit. An offsetting debit entry should be made in column 3, and this entry, which represents the amount of foreign exchange accruing to the compiling country from the transactions of the company concerned, should be equal to the net credit balance of the transactions entered in the preceding items. After completion of the schedule, each pair of columns should thus balance.

---

1/ However, the entries in this column, with reversed sign, would represent international transactions if the company were regarded as a nonresident for balance of payments purposes.

NOTES TO ITEMS

Item 7: Salary payments to nationals of countries other than the reporting country can be made in various ways. As a rule, however, these foreign nationals prefer to keep any savings from current income on deposit with a bank in the country of their nationality.

In this schedule, item 7, salary remittances abroad, should include the net savings from income during the reporting year deposited with foreign banks either by the employee or directly by the direct investment company. These expenditures should be allocated to column 3 (rather than column 5) and be excluded from the calculation of net local use of foreign exchange.

Item 8: The item should include charges to the current profit and loss account and payable abroad, other than those covered by items 6 and 7.

Item 13: This item includes rents which are payable to the government. Rents payable to private individuals or companies should be included in item 9, other local expenditures.

Items 15 and 16: In order to make an offsetting entry for taxes charged on income in the reporting year but not paid in the same year, include an entry equal to the unpaid part of these taxes in the debit column for international (column 3) and the credit column for local transactions (column 6).

On the other hand, any taxes paid during the reporting year but charged over income in a previous year should be entered as a credit in column 4 for international and as a debit in column 5 for local transactions. If the taxes were charged to the year immediately preceding the reporting year, they should be entered in item 15; if the taxes were adjustments for tax payments in earlier years, they should be entered in item 16.

Item 18: In principle, this item should cover all changes in local financial assets and liabilities other than tax liabilities. The changes, which can be derived from the balance sheets of the companies, should include changes in local currency holdings of the companies and in outstanding loans to residents of the reporting country during the reporting year.

Items 19 and 20: These items are included for reconciliation purposes; see General Note.



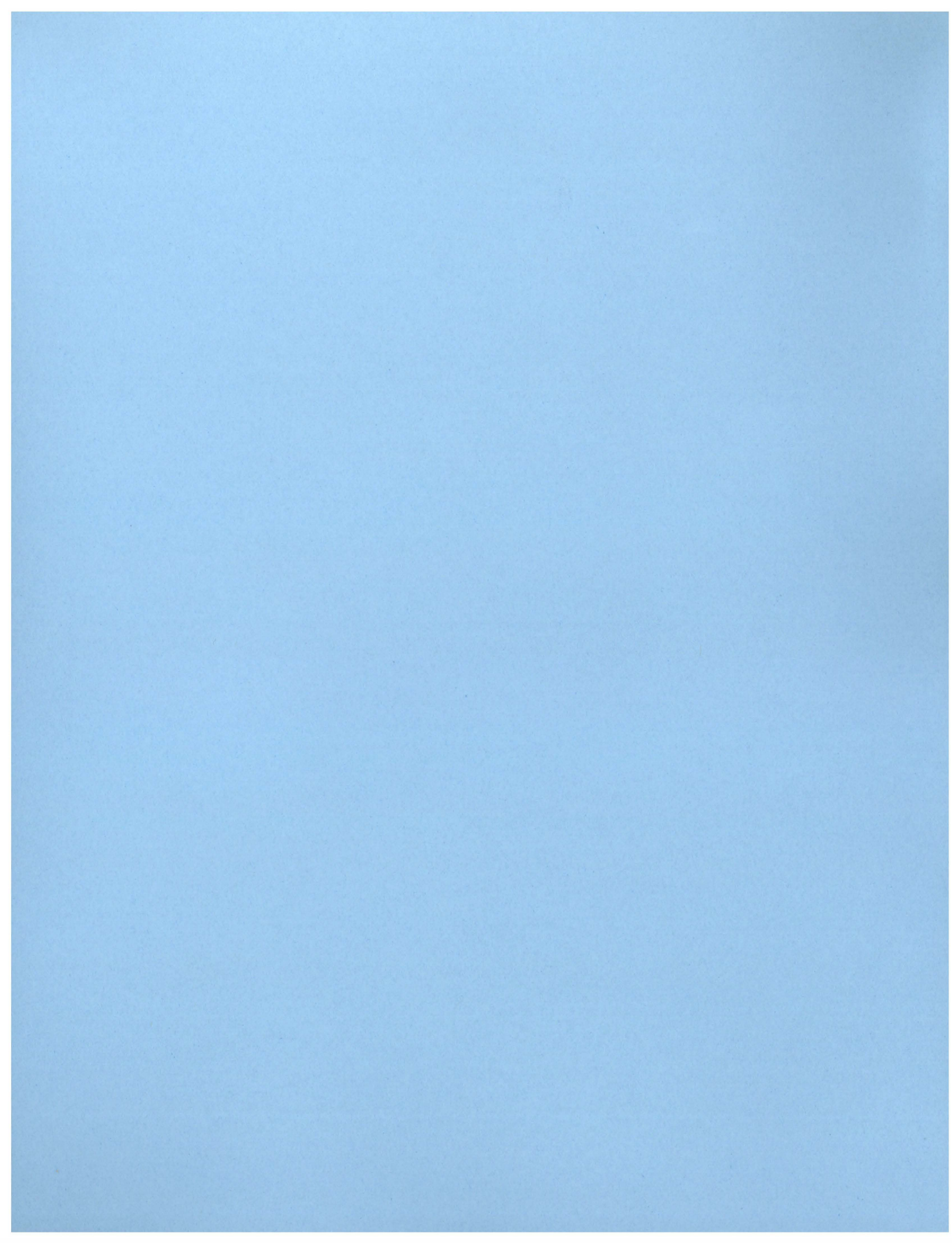
Condensed Schedule for Derivation of Balance of Payments Entries  
for Direct Investment Companies in the Oil Industry

Compiling Country \_\_\_\_\_ Compiling Company \_\_\_\_\_  
 Currency \_\_\_\_\_ Unit \_\_\_\_\_ Period Covered \_\_\_\_\_  
 Exchange Rate: US\$ \_\_\_\_\_ per \_\_\_\_\_

Cons. Other  
 ✓ ✓  
 X X  
 X X  
 X X  
 ✓ ✓  
 X X  
 ✓ ✓  
 ✓ ✓  
 ✓ ✓  
 ? ?

	Total Transactions		International Transactions		Local Transactions	
	Debit (1)	Credit (2)	Debit (3)	Credit (4)	Debit (5)	Credit (6)
<b>A. Gross Income</b>						
1. Exports f.o.b. border	--	<u>x</u>	--	<u>1</u>	--	--
2. Sales of bunker oil	--	<u>x</u>	--	<u>4</u>	--	--
3. Other income from abroad	--	<u>x</u>	--	<u>8</u>	--	--
4. Local sales	--	<u>x</u>	--	--	--	<u>x</u>
5. Other local income	--	<u>x</u>	--	--	--	<u>x</u>
Total income	--		--		--	
<b>B. Cost of Production (excluding C)</b>						
6. Imports c.i.f.	<u>x</u>	--	<u>1</u>	--	--	--
7. Salary remittances abroad	<u>x</u>	--	<u>9</u>	--	--	--
8. Other expenditures abroad	<u>x</u>	--	<u>8</u>	--	--	--
9. Local expenditures	<u>x</u>	--	--	--	<u>x</u>	--
10. Addition to plant	--	<u>x</u>	--	<u>11</u>	--	--
11. Depreciation	<u>x</u>	--	<u>11</u>	--	--	--
12. Changes in stock of oil and material	<u>x</u>	<u>x</u>	<u>11</u>	<u>11</u>	--	--
Total cost of production						--
<b>C. Local Royalties and Taxes Charged to Current Income</b>						
13. Royalties, rents, etc.	<u>x</u>	--	--	--	<u>x</u>	--
14. Taxes charged to current income	<u>x</u>	--	--	--	<u>x</u>	--
15. Changes in liabilities to local government	--	--	<u>11</u>	<u>11</u>	<u>x</u>	<u>x</u>
			(increase)	(decrease)	(decrease)	(increase)
16. Tax adjustment applicable to past years	--	--	--	<u>11</u>	<u>x</u>	--
Total royalties and tax payments		--				
<b>D. Investment Income</b>						
17. Net income in current year (A - B - 13 - 14)	<u>x</u>	<u>x</u>	<u>6</u>	--	--	--
			(loss -)			
<b>E. Change in Other Net Local Financial Assets</b>						
18. Change in other net local financial assets	--	--	<u>11</u>	<u>11</u>	<u>x</u>	<u>x</u>
			(decrease)	(increase)	(increase)	(decrease)
<b>F. Inward Remittances</b>						
19. Sales of foreign exchange	--	--	<u>x</u>	--	--	<u>x</u>
20. Net local use of foreign exchange	--	--	<u>x</u>	--	--	<u>x</u>
Total inward remittances	--	--			--	
<b>Grand Total (A through F)</b>						

Grand Total (A through F)



November 2, 1966

Dear Dr. Hezareh:

I was glad to receive Mr. Pour-Kashani's letter of October 20 (No. Res. 1530), which enclosed Iran's balance of payments figures for solar years 1343 (revised) and 1344. We shall use this information to prepare a provisional statement that will supplement the table covering Gregorian years 1964 and 1965, published last August in our Yearbook; we shall also add the figures for 1344 to the balance of payments summary on the pages for Iran in International Financial Statistics.

We are most interested to see that you have introduced a new method for calculating the balance of payments entries for the oil consortium's direct investment income and direct investment capital movements; its value will certainly be increased if you are able, as you propose, to provide comparable figures for earlier years. However, because of the rather brief descriptions of your new method, we find it somewhat difficult to comment on it. Therefore, before you use the new method for the earlier years, we should like to suggest that you first fill out the data for the years 1343 and 1344 in the attached "Condensed Schedule for Reporting Transactions of Direct Investment Companies in the Oil Sector," so that you can test whether the formula that you have applied in making your calculation gives you the desired result.

As you will see from the notes to the attached schedule, it was specifically designed for use in reporting balance of payments transactions of oil companies. One of its advantages is that it has a built-in method for testing the accuracy of the data.

The schedule can be applied to Gregorian as well as to solar years and to transactions of the Consortium as well as of oil companies other than the Consortium. However, when you use this schedule, all components (exports, imports, taxes, etc.) should uniformly refer either to a Gregorian or to a solar year and to the same transactor. A combination of data covering periods or transactors that are not compatible will, of course, result in entries for errors and omissions. Nevertheless, even with components that are not fully compatible, the process of completing the schedule might be enlightening with respect to the method you have followed.

SUBJECT COPY

I should appreciate it if you would send us completed schedules for at least one year or, alternatively, indicate the coverage of the various items appearing in your calculation in terms of the items of the schedule, so that we can better understand the coverage of each of your items and their relevance for balance of payments purposes.

I believe that you will be able to benefit from this schedule in your attempt to improve the data for the oil sector. Should you have any difficulties in applying your data to the schedule, we should be glad to discuss them.

I have also to thank you for your report for the solar year 1344 on the international flow of long-term capital. The information has been forwarded to the United Nations.

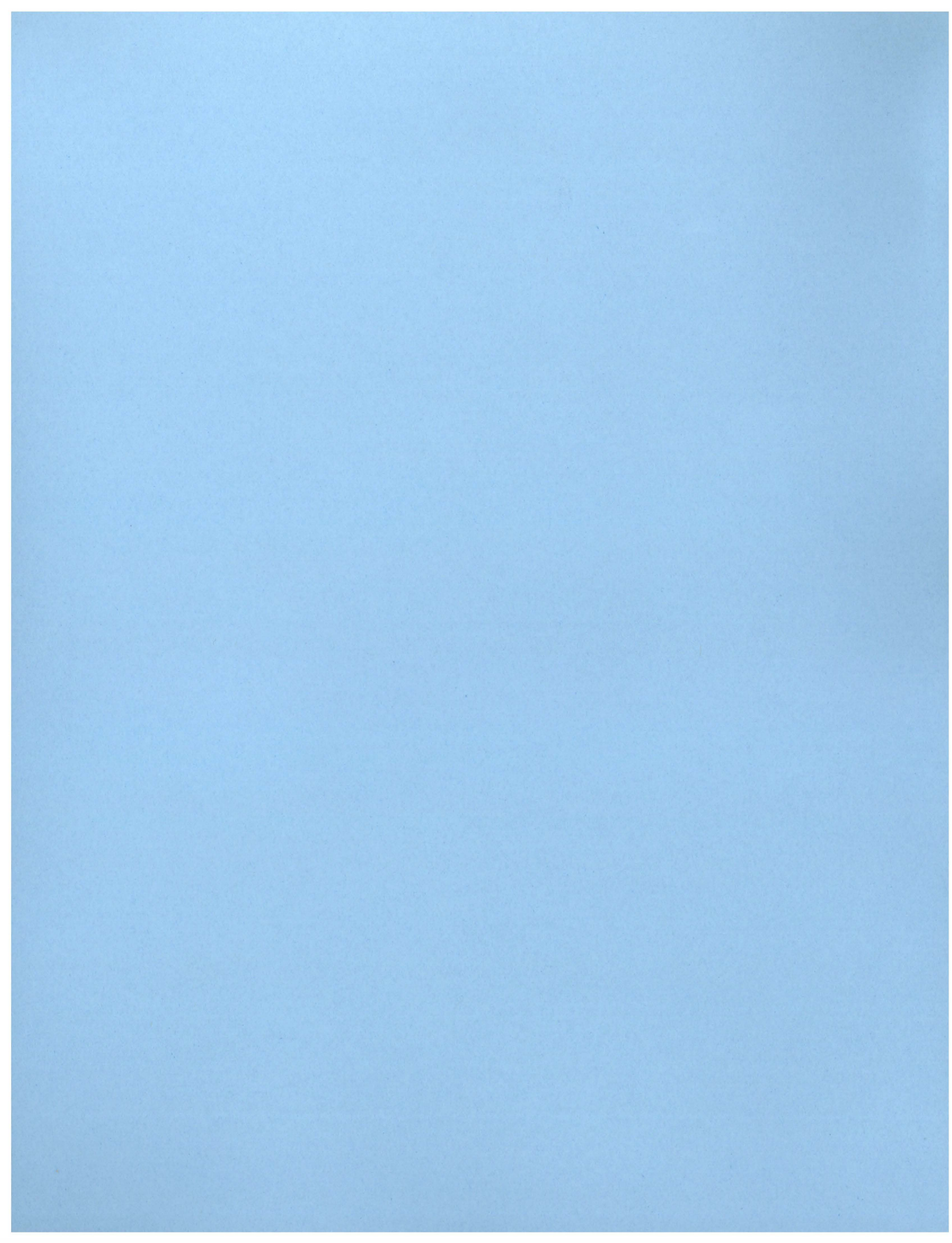
Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Attachment

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY



*Bank Markazi Iran*  
(The Central Bank of Iran)

237277

Tehran, October 20, 1966

CABLES : MARKAZBANK

No. Res. 1530

~~AB~~  
~~JA~~  
~~OS~~  
UD

Dear Mr. Smith,

This is to acknowledge receipt of your letter dated October 13, 1966, for which we thank you.

Please find enclosed a copy of our balance of payments for the two years beginning March 21, 1964 and March 21, 1965. The data for 1343 have been revised while those for 1344 are only a first draft.

In this statement we have changed the statistical basis for computation of the Oil Consortium investment income and new investment in Iran. As you will observe from note to item 6 given in page 5, we have deducted the operating costs and Iran's oil revenue from the oil export value (net of discount) as indicated in the trade returns in order to arrive at a more exact figure indicating the Oil Consortium's investment income. We would be pleased to have your comments on this new procedure. We are preparing to revise the respective figures regarding the Oil Consortium's transactions in Iran for the previous years as far as possible, and they will be forwarded to you in the near future.

Please find enclosed also the special report to the United Nations on the international flow of long-term capital for 1344.

Sincerely yours,

*N. Pour-Kashani*  
N. Pour-Kashani,  
Assistant Director,  
Research Department

Mr. John S. Smith,  
Assistant Director  
(for Balance of Payments Division),  
Research and Statistical Department

22977

Bank of Montreal  
The Bank of Montreal

October 20, 1966

No. 1530

CASIER, MARKAZBANK

Dear Mr. Smith,

This is to acknowledge receipt of your letter of October 12, 1966, for which we thank you. Please find enclosed a copy of the balance sheet for the two years beginning March 31, 1964 and March 31, 1965. The data for 1964 have been revised since the 1964 are only a first draft.

In this statement we have changed the statistical data for computation of the Oil Consortium investment income and new investment in Iraq. As you will observe from note to item 6 given in page 2, we have deducted the operating costs and Iraq's oil revenues from the oil export value (net of discount) as indicated in the trade returns in order to arrive at a more exact figure indicating the Oil Consortium's investment income. It would be pleased to have your comments on this new procedure. We are preparing to revise the respective figures regarding the Oil Consortium's investments in Iraq for the previous years as far as possible, and they will be forwarded to you in the near future.

Please find enclosed also one special report by the United Nations on the international flow of long-term capital for 1964.

Sincerely yours,  
R. Fournier,  
Assistant Director,  
Research Department

Mr. John S. Smith,  
Assistant Director,  
(for Balance of Payments Division),  
Research and Statistical Department

RECEIVED  
INTERNATIONAL  
MONETARY FUND  
OCT 25 2 35 PM '66  
COMMUNICATIONS  
DIVISION

## Balance of Payments of Iran

1343-44

A summary of the balance of payments of Iran for the years 1343-1344 is given in the attached Table A. This statement has been prepared in accordance with International Monetary Fund Manual. It shows all economic transactions of Iran with foreigners and therefore includes clearing transactions, as well as transactions involving exchange of foreign or local currency. Some of the data previously given for the year 1343, mainly those for oil sector transactions, have been revised.

The entries for merchandise trade are based mainly on Customs Statistics while those for services and capital account are derived from exchange records.

However, a few adjustments have been made for oil exports, imports and travel accounts. The adjustment for oil exports is based on discounts accepted by the Government of Iran over the posted price ( 8.5 per cent for 1964, 7.5 per cent for 1965 and 6.5 per cent for 1966).

The figures are given in US dollars, the par value being US \$1 = Rls. 75.00 for exports and US \$1 = Rls. 76.50 for imports.

The statement treats the Oil Consortium as a resident of Iran, covering its transactions relating to production and export of oil from this country. Information regarding new investment and operating costs of the Oil Consortium in Iran has been derived from the Consortium itself. The difference in the calendars used by the Oil Consortium (Gregorian) and the Government of Iran (Solar) influences the "Net errors and omissions" figures.

Details of some items in Table A are given in the following notes and all amounts are stated in million of US dollars.



TABLE A  
CURRENT AND CAPITAL TRANSACTIONS

\$ million

	1343		1344	
	Credit	Debit	Credit	Debit
A. Goods and Services	<u>1,136.7</u>	<u>1,167.0</u>	<u>1,385.9</u>	<u>1,553.7</u>
1. Merchandise	1,067.9	736.2	1,283.8	863.5
1.1 Oil sector	914.8	69.5	1,103.0	69.1
1.2 Other	153.1	666.7	180.8	794.4
2. Non-monetary gold	-	0.4	-	0.5
3. Freight and merchandise insurance	1.0	-	1.0	-
4. Other transportation	6.8	12.7	8.5	11.4
4.1 Passenger fares	6.1	10.2	7.5	9.4
4.2 Time charters	-	2.5	-	2.0
4.3 Bunker fuel	0.7 ✓	-	1.0	-
5. Travel	14.0	48.0	21.0	66.9
6. Investment income	2.7	281.1	7.7	437.9
6.1 Oil Consortium	-	262.6	-	421.5
6.2 Other	2.7	18.5	7.7	16.4
7. Government, not included elsewhere	18.5	46.0	26.0	79.9
8. Other services	25.8	42.6	37.9	93.6
8.1 Oil Consortium	-	21.8	-	46.8
8.2 Other	25.8	20.8	37.9	46.8
Net goods and services	-	30.3	-	167.8
Trade balance (1 and 2)	331.3	-	419.8	-
Net services	-	361.6	-	587.6
B. Transfer Payments	<u>11.6</u>	<u>2.6</u>	<u>11.0</u>	<u>0.3</u>
9. Private	2.2	0.1	2.5	0.2
10. Central government	9.4	2.5	8.5	0.1
Net total (1 through 9)	-	28.2	-	165.5
Net total (1 through 10)	-	21.3	-	157.1

TABLE A (continued)

	1343 1964/65		1344 1965/66	
	Credit	Debit	Credit	Debit
C. Capital and Monetary Gold	249.5	205.5	285.7	96.7
11. Private long-term capital	187.9	1.7	121.9	4.4
Direct investment	187.9	1.7	121.9	4.4
11.1 Oil sector	186.3	-	✓ 118.6	-
11.2 Other	1.6	1.7	3.3 ✓	4.4 ✓
12. Other private long-term	1.0	0.4	✓ 3.2	0.6 ✓
13. Central government	34.2	73.3	76.6	61.6
13.1 Long-term loans <i>use 17th year</i>	12.9	36.1	18.9	33.7
13.2 US Government rial holdings	2.6	-	0.6	-
13.3 Suppliers' credits	18.7	37.1	57.1 ✓	26.8 ✓
13.4 Subscription to non-mone- tary international organiza- tions	-	0.1 0.9	-	1.1
14. Central monetary institutions	17.8	121.9	82.9	20.0
14.1 IMF rial holdings	17.5 ✓	-	87.8 ✓	2.9
14.2 IBRD and IDA rial holdings	-	-	0.7 ✓	-
14.3 Subscription to IMF	-	-	-	14.3 ✓ 55.0 ✓
14.4 Marketable assets	-	1.0 ✓	-	1.0 ✓
14.5 Exchange deposits	-	118.7 ✓	72.8 ✓	-
14.6 Other short-term assets and liabilities	-	2.2 ✓	-	1.8
14.7 Gold	0.3	-	9.4	-
16. Other monetary institutions	8.6	8.2	1.1	10.1
16.1 Marketable assets	1.0	-	- ✓	- ✓
16.2 Exchange deposits	7.5	-	- ✓	10.1 ✓
16.3 Rial deposits	-	8.2	1.1	-
16.4 Gold (Bank Melli Iran)	0.1	-	- ✓	- ✓
Net errors and omissions	-	22.7	-	31.9

See their letter of June 21.  
We failed to use their (re)revised (!)  
figures for comm. bank capital

Mr. D. Seebalter informed  
me that both gold and  
currency subscriptions (\$55 million  
were paid on March 10, 1966 and  
therefore, within the solar year  
1344.  
Oct. 27, 1966  
U.S.

Notes to Table A1. Merchandise

Export figures are based on trade returns with valuation adjustment for oil exports. Import figures are also derived from trade returns, except for imports by the oil sector and shipments to foreign diplomatic missions in Iran during 1344. The import figures for the Oil Consortium for 1344 is reported by themselves, and that for NIOC is taken from exchange records. Import figures for other oil companies and shipments to foreign diplomatic missions in Iran are estimated. Details of the entries are given in the table below:

Table 1, Merchandise account  
(in millions of U.S. dollars)

EXPORTS

Exports, f.o.b., from trade returns:	1343	1344
Oil	998.0 ✓	1,189.5 ✓
Valuation adjustment for discount	-83.2	-86.5
Other than oil	153.1	180.8
	<u>1,067.9</u>	<u>1,283.8</u>

IMPORTS

Imports, c.i.f. :		
By oil companies:		
Oil consortium	52.4	46.2
National Iranian Oil Company	10.5	16.9
Others	6.6	6.0
	<u>69.5</u>	<u>69.1</u>
By other than oil companies, from trade returns	672.8	800.4
Coverage adjustment for shipments to foreign diplomatic missions	-6.1	-6.0
	<u>666.7</u>	<u>794.4</u>

2. Non-Monetary gold

It consists only of gold coins sold to the public by Bank Melli Iran.

3. Freight and merchandise insurance

This account is shown on cif basis : freight and insurance for imports are included in item 1, debit. The credit entries cover insurance claims received for lost or damaged imports.

#### 4. Other transportation

The credit entries cover passenger fares received by Iranian carriers (line 4.1) and sales of bunker fuel to foreign vessels by the National Iranian Oil Company (line 4.3). The debit entries cover passenger fares paid to foreign airlines.

#### 5. Travel

The credit entries represent expenditures by foreign travellers in Iran, covering both foreign exchange sold to authorized banks, as well as an estimate of the amount sold to the non-monetary sector. The debit entries show estimated expenditures of Iranian travellers and students abroad, covering foreign exchange purchased from authorized banks, as well as an estimate of the amount purchased from non-monetary sector.

#### 6. Investment income

6.1. Oil Consortium The entries represent the investment income paid to foreigners by the oil consortium and are calculated as shown in Table 2.

Table 2

	Oil Consortium investment income (in millions of U.S. dollars)	
	<u>1343</u>	<u>1344</u>
Oil export proceeds (net of discount)	914.8	1,103.0
Operating Costs-Operating Company	-99.7	(-93.2)
Operating Costs-Refining Company	-86.0	(-76.2)
Iran's oil revenue	-466.5 <sup>(1)</sup>	-512.1
Estimated investment income of the Oil Consortium	<u>262.6</u>	<u>421.5</u>

6.2. Other investment income. The credit entries cover interests received by Bank Markazi Iran and Bank Melli Iran. The debit entries represent interest paid on long-term official loans and credits (17.4 for 1343 and 16.2 for 1344), charges on IMF drawings (0.1 for 1343) and interest paid on IBRD and U.S. loans to the private sector (0.2 for 1343 and also for 1344).

(1) Excluding \$13.4 million special payment to Iran as a result of changes in the computation of exploration and drilling cost for 1342. This amount is treated as Consortium investment. (see item 11.1).

## 7. Government, not included elsewhere.

Details of the entries are shown in Table 3.

Table 3

Government, n.i.e.

(in millions of U.S. dollars)

R e c i p t s	<u>1343</u>	<u>1344</u>
Foreign diplomatic expenditures in Iran	9.8	14.3
Iranian Government receipts from abroad	8.7	11.7
Item 7 Credit	<u>18.5</u>	<u>26.0</u>
.....		
P a y m e n t s	<u>1343</u>	<u>1344</u>
Iranian diplomatic expenditure abroad	8.3	8.3
Purchases of services by Plan Organization	11.5	12.4
Other expenditures by Iranian Government	18.9	54.2
Technical assistance services financed by:		
United Nations	4.0	2.0
U.S. Government	3.3	3.0
Item 7 debt	<u>46.0</u>	<u>79.9</u>

8. Other services

8.1. Oil Consortium. The entries show purchase of services by the Oil Consortium for operation in Iran as reported by themselves.

8.2. The entries are based on exchange records. The debit entries include foreign exchange expenditure (other than those for merchandise imports and travel) of the National Iranian Oil Company (13.8 for 1343 and 35.4 for 1344).

9. Private transfer payments

The credit entries cover an estimate of private donations in kind (1.0 for 1343 and also for 1344), U.S. surplus agricultural commodity grants through private agencies (0.8 for 1343) and other extra ordinary relief (0.4 for 1343), as derived from U.S. official sources. U.S. PL480 grants through CARE amounted to \$2.1 million in 1344 as reported by the said Mission in Iran.

## 10. Central Government transfer payments

The credit entries cover grants received from the U.S. Government (5.4 for 1343 and 3.0 for 1344) and U.N. technical assistance grants (4.0 for 1343 and 5.5 for 1344). U.S. and U.N. grants are partly in the form of imports and partly in the form of services; the services obtained through these grants are entered as debit in item 7.

## 11. Private long-term capital:

11.1. Oil sector investment. The entries cover changes in investment by the foreign oil companies as shown below:

Table 4, Oil sector investment

Table 4, Oil sector investment

	<u>1343</u>	<u>1344</u>
Oil Consortium net investment (new investment minus fixed assets charges and depreciation)	-17.6	64.6
Special payment to Iran as a result of changes in the computation of exploration and drilling	13.4	-
Advance made to the Treasury General ✓	-	(36.0)
Other oil companies investment (estimate)	190.5	(18.0)
	<u>186.3</u>	<u>118.6</u>

11.2. Other direct investment: The credit entries show new investment by foreign industrial companies. These investments are partly in the form of imports and partly in the form of cash remittances. The debit entries represent repayment of principal and profit on foreign investment for which separate figures are not available. ?

## 12. Other private long-term capital

Credit entries show drawings on and debit entries cover repayments of IBRD, IFC and AID loans to the private sector.

## 13. Central Government

13.1. Long-term loans. Details of this account are given in Table 5.

Table 5

## Long Term Loans

(in millions of U.S. dollars)

	1343	1344
Drawings from :		
IBRD (for Plan Organization)	1.5	7.0
Germany (for Plan Organization)	6.0	4.2
U.S. Government:		
AID loan (for Plan Organization)	1.3	2.8
EX-IM Bank loans	-	4.9
Loan in Iranian rials	4.0	-
	<u>12.8</u>	<u>18.9</u>
Repayments to :		
IBRD	5.3	4.6
United Kingdom:		
Compensation to the British Petroleum Co.	7.0	7.0
U.S. Government:		
EX-IM Bank loans	11.4	9.5
AID loans	12.4	12.6
	<u>36.1</u>	<u>33.7</u>

13.2. U.S. Government rial holdings. The entries cover changes in rial liabilities to the U.S. Government resulting from purchases (credit) made in rials of U.S. surplus agricultural commodities, and the use (debit) of the rial proceeds by the U.S. Government in Iran.

13.3. Suppliers' Credits. The entries show drawings on and repayments of foreign suppliers' credits to the government agencies and to the Ministry of War.

13.4. Subscriptions to non-monetary international organizations. Subscriptions (debit) were made to the IDA in gold (0.1 for 1343) and to the IBRD in gold (0.4 for 1344) and in rials (0.7 for 1344). The increase in Iran's liabilities resulting from rial payments are entered as credits in item 14.2.

#### 14. Central monetary institutions

14.1. IMF rial holdings. The entries cover increase (credit) in Iran's liabilities resulting from currency purchases from the IMF with rials (17.5 for 1343) and the payment of a rial subscription (0.5 for 1344, see note to item 14.3), and decreases (debit) in Iran's liabilities resulting from repurchases of rials (3.4 for 1343).

14.2. IBRD and IDA rial holdings. The entry covers an increase in Iran's liabilities resulting from the payment of a rial subscription (0.7 for 1344, see note to item 13.4). in 1344.

14.3. Subscription to IMF. The subscriptions were made in gold (debit of 13.8) and rials (debit of 0.5, see note to item 14.1).

14.4. Marketable assets. The entries represent changes in the IBRD bonds held by the Bank Markazi Iran.

14.6. Other short-term assets and liabilities. The entries show increase in clearing balances, including the balance of trade with the U.S.S.R. (debit of 2.2 for 1343 and 1.8 for 1344).

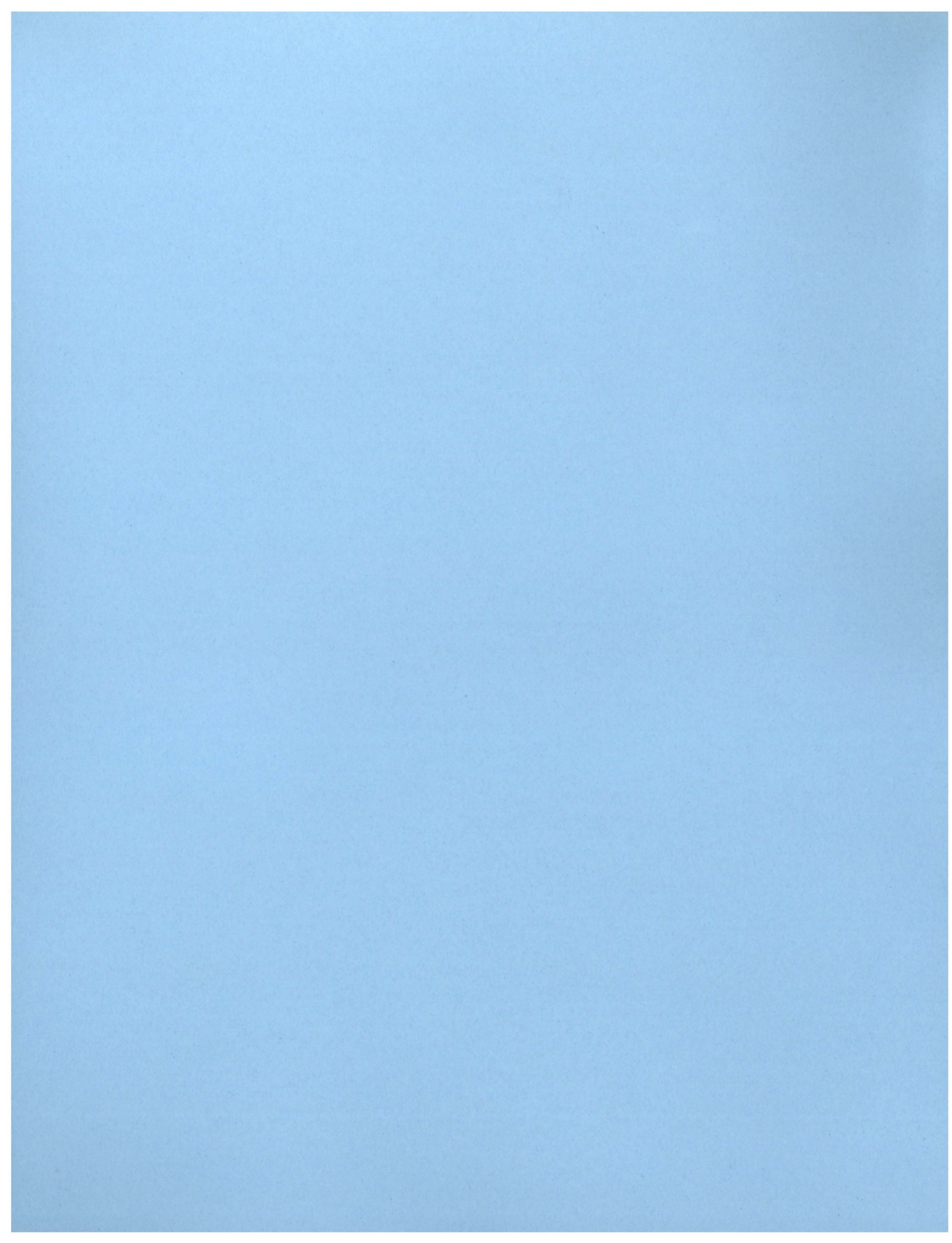
#### 16. Other monetary institutions

16.2. Exchange deposits. The entries cover balances of banks' deposits with foreign correspondents.

16.3. Rial deposits. The entries represent changes in liabilities of banks to foreign residents resulting from rial deposits (8.2 for 1343 and 1.1 for 1344).

Net errors and omissions - Some errors and omissions may be attributed to the difference in the Calendar used by the Government of Iran and the Oil Consortium.





SPECIAL REPORT FOR UNITED NATIONS ON INTERNATIONAL FLOW OF LONG-TERM CAPITAL AND CENTRAL GOVERNMENT TRANSFER PAYMENTS, BY AREA<sup>6</sup>

Compiling Country Iran

Part 2. Changes in Foreign Liabilities and Transfer Payments Received

Period Covered 1344

Currency..... Unit .....

No sign indicates credit (increase in liabilities); minus sign indicates debit (decrease in liabilities)

October 20, 1966

Exchange Rate: US\$ .....Per .....

Type of Funds Received by Reporting Country	Item in Table A <sup>7</sup>	Grand Total (2+8+15+21+22) (1)	DEVELOPED COUNTRIES						DEVELOPING COUNTRIES						CENTRALLY PLANNED ECONOMIES					International Institutions (21)	Unallocated (22)	
			Total (2)	United States (3)	OECD Europe n.e.s. (4)	Japan (5)	Other (6)	Unallocated (7)	Total (8)	Greece, Spain, & Turkey (9)	Africa (10)	Asia (11)	Latin America (12)	Oceania (13)	Unallocated (14)	Total (15)	U.S.S.R. (16)	Yugoslavia (17)	Other Europe (18)			Asia (19)
<b>A. Private Nonmonetary Sector's Liabilities</b>																						
1. Direct investment	11.1;11.2	121.9	121.9					121.9														
1.1. Undistributed earnings																						
1.2. Other																						
2. Other domestic securities	11.3;11.5																					
3. Other trade credits <sup>8</sup>																						
3.1. Use	11.6, cr																					
3.2. Repayments	11.6, dr																					
4. Other	11.6*;11.7;13†																					
5. Total (1 through 4 = 5.1 plus 5.2)		121.9	121.9					121.9														
5.1. Provided or guaranteed by foreign central governments																						
5.2. Other																						
<b>B. Private Monetary Institutions' Liabilities</b>																						
1. Loans <sup>8</sup>	16.3†																					
2. Other <sup>9</sup> (specify important categories)	16.4†																					
2.1.																						
2.2.																						
2.3.																						
3. Total (1 plus 2 = 3.1 plus 3.2)																						
3.1. Provided or guaranteed by foreign central governments																						
3.2. Other																						
<b>C. Central Government Sector's Liabilities</b>																						
1. Loans <sup>8</sup>																						
1.1. Drawings	14.4, cr	18.9	11.9	7.7	4.2																	7.0
1.2. Repayments	14.4, dr	33.7	29.1	22.1	7.0																	4.6
2. Other <sup>9</sup> (specify important categories)	14.1;14.2;14.5																					
3. Total (1 plus 2 = 3.1 plus 3.2)																						
3.1. Provided or guaranteed by foreign central governments and central monetary institutions																						
3.2. Other																						
<b>D. Central Monetary Institutions' Liabilities</b>																						
1. Loans <sup>8</sup>																						
1.1. Drawings	15.4†, cr																					
1.2. Repayments	15.4†, dr																					
2. Other <sup>9</sup> (Specify important categories)	15.5																					
<b>E. Central Government Transfer Payments Received from Foreign Central Governments</b>	10.1 cr	8.5	3.0	3.0																		5.5

\*Indicates that the entries include only part of this item.

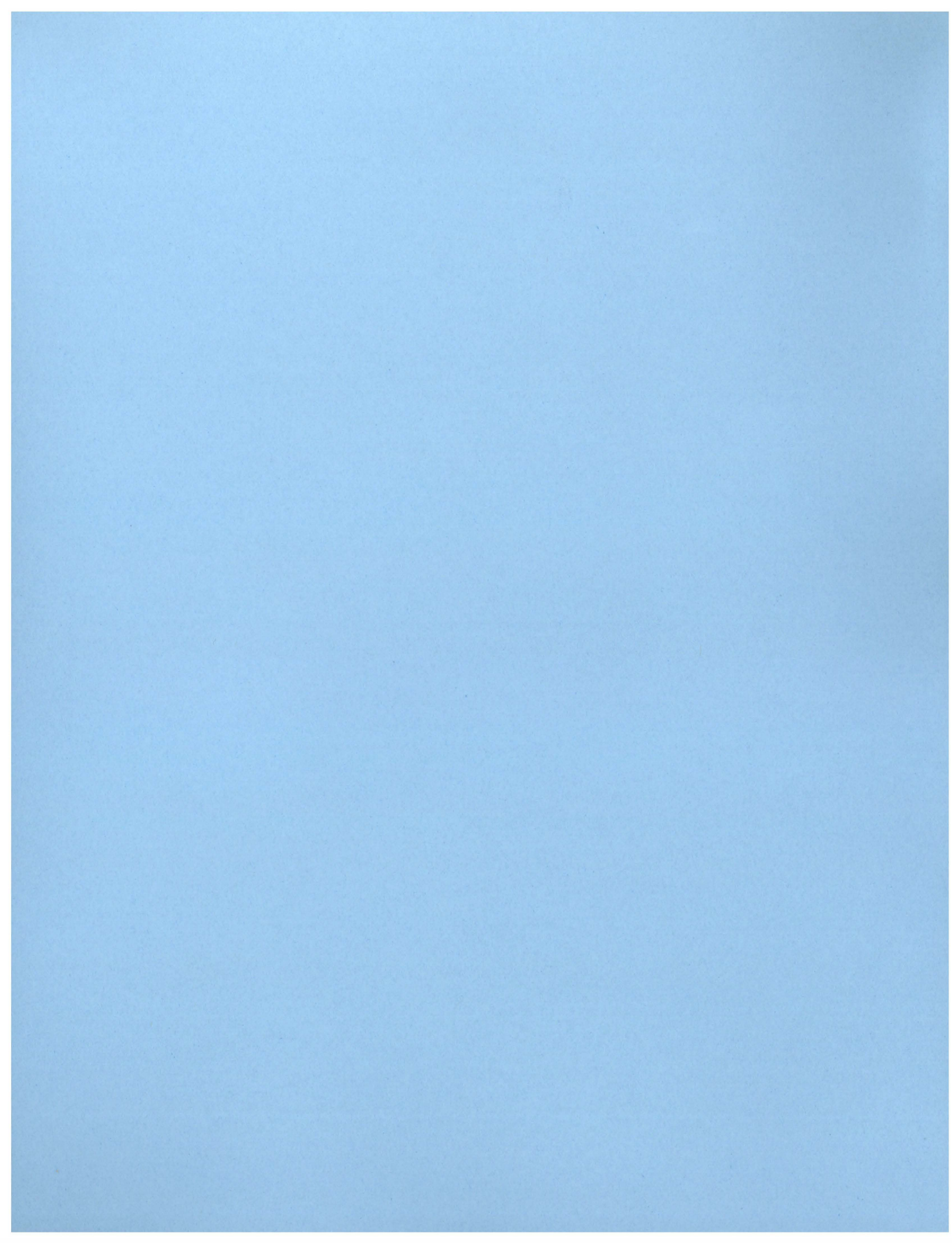
† Indicates that the entries should include only the long-term components of this item.

<sup>6</sup>For area allocation of countries, see paragraph 3 of the attached Note to Special Report for United Nations.

<sup>7</sup>Numbers refer to items in International Monetary Fund, *Balance of Payments Manual*, third edition (July 1961), Table A, pages 20 and 21; "cr" denotes credit, "dr" denotes debit.

<sup>8</sup>If this item includes any drawings on, or repayments financed by, consolidation and refinancing credits, the amounts and regional breakdown of such credits should be specified separately in a note to this form. For the definition of consolidation and refinancing credits, see paragraph 2 of the attached Note to Special Report for United Nations.

<sup>9</sup>Including local currency liabilities, such as those to the United States under U.S. Public Law 83-480, that are mainly earmarked for grants or loans to the reporting country. These may be included in items 14.6, 15.3, or 16.2 in the *Manual* Table A, page 21. Further, reporting countries that are reserve centers should exclude marketable long-term obligations of their central government issued in the domestic market.



October 13, 1966

Dear Dr. Hezareh:

In the Fund's request for balance of payments information, enclosed with my letter of May 1, it was suggested that final global and regional balance of payments data for 1965 be sent to us by July 15. As we have not yet received any estimates of your balance of payments for solar year 1344, I should like to ask that you let us know the date on which you expect to send us your final report for that period. I appreciate that you may not yet have been able to complete compilation of your report, but it would greatly assist us in planning the publication timetable for our Yearbook to know approximately when material will become available.

Please bear in mind that, when we have prepared your figures for publication, we consider it highly desirable to have adequate time for discussing with you the draft Yearbook section for your country and for resolving any problems that may arise. I am sure that you will do all that you can to ensure that your report for the solar year 1344 will reach us as soon as possible.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY

July 8, 1966

Dear Dr. Hezareh:

I appreciated receiving Dr. Towfiq's letter of June 21, 1966 (No. 530), providing answers to our questions on the draft of the Iranian section of our seventeenth Balance of Payments Yearbook. Using this information, we have revised the draft and sent it to the printer for publication in August. There is, however, one significant point that needs further clarification.

The coverage of the official U.S. version of the figures for item 15.2 of our draft--U.S. Government holdings of Iranian rials--differs significantly from the coverage as defined in paragraph 12 of Dr. Towfiq's letter. The table in paragraph 12 does not seem to cover counterpart funds, intercountry transfers, and principal and interest payment on loans in rials, and it is not clear whether "f.o.b. value of surplus agricultural commodities" in that table may be taken as equivalent to the sales proceeds in rials of these commodities. We should appreciate it if you could attempt to reconcile the figures in Dr. Towfiq's table with those shown in Annex Table B of our memorandum dated April 6.

In the draft sent to the printer we have retained Dr. Towfiq's figures for changes in U.S. Government holdings of Iranian rials. Further clarification on this point will make it possible for us to amend the galley proofs, if necessary, or to make corrections in the subsequent volume of our Yearbook.

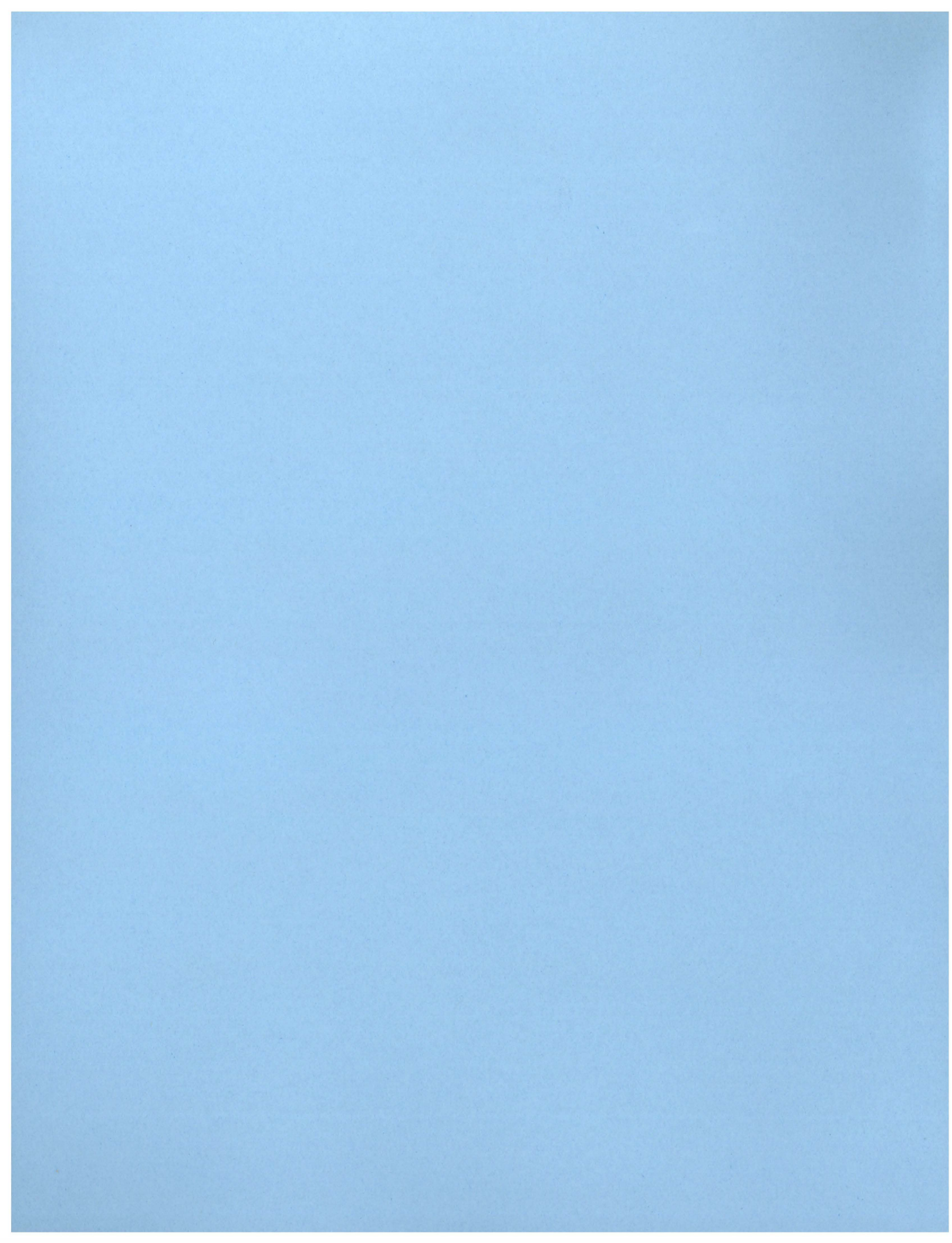
May I ask you to express my thanks to Dr. Towfiq for his valuable cooperation during the past several years. I look forward to a continuation of the same close working relationship between our institutions on matters of balance of payments compilation in the future.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Dr. Ali Hezareh  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY



Bank Markazi Iran  
(The Central Bank of Iran)

231779

AB  
~~JA~~

CABLES : MARKAZBANK

Tehran, June 21, 1966

530

Dear Mr. Smith:

Enclosed please find answers to your questions on the Iranian balance of payments raised in your letter of April 6, 1966.

I would like to inform you that the Research Department of our Bank has recently been divided into two, and that I have been appointed director of the Statistics Department dealing mostly with primary data collection. The new Research Department will continue to deal with balance of payments matters, and Mr. Maz'hari is responsible for them. You may wish to address your letters in this respect to Dr. Ali Hezareh, director of the Research Department.

*noted  
S.Z.*

May I add that I shall always happily remember the long years during which I was privileged to work with you.

Sincerely yours,

*C. Towfiq*

C. Towfiq,  
Director,  
Statistics Department

Enclosures

Mr. John S. Smith,  
Assistant Director,  
Research and Statistics Department,  
International Monetary Fund,  
Washington, D.C., 20431.

Bank of Markazbank  
(The Central Bank of Iran)

June 21, 1966

CABLES: MARKAZBANK

538

Dear Mr. Smith:

Enclosed please find answers to your questions on the Iranian balance of payments raised in your letter of April 6, 1966.

I would like to inform you that the Research Department of our Bank has recently been divided into two, and that I have been appointed director of the Statistics Department dealing mostly with primary data collection. The new Research Department will continue to deal with balance of payments matters, and Mr. Mas'har is responsible for them. You may wish to address your letters in this respect to Dr. Ali Hesarah, director of the Research Department.

May I add that I shall always happily remember the long years during which I was privileged to work with you.

Sincerely yours,

C. Towfigh  
Director,  
Statistics Department

Mr. John S. Smith,  
Assistant Director,  
Research and Statistics Department,  
International Monetary Fund,  
Washington, D.C., 20431.

RECEIVED  
INTERNATIONAL  
MONETARY FUND  
JUN 27 1 36 PM '66  
COMMUNICATIONS  
DIVISION



Answers to questions on the Iranian  
Balance of Payments Attached to the letter April 6, 1966

1- Conversion rate

Your assumption on using the official rates of Rls. 75.00 buying and Rls. 76.50 selling per US \$1 for the years 1960/61 and 1961/62 is correct.

2- Merchandise

The trade return figures for 1961-62 imports is Rls 37,252,201 thousand (\$547.2 million equivalent) and not 752.7 million as given in the CBI bulletin of May-June 1965. We would remind you that the figure \$742.4 million pointed out by you relates to the year 1964-65, as shown in the above mentioned bulletin; it was originally obtained from trade returns and is not subject to any revision.

Regarding oil exports by other oil companies, trade returns, the only available source for oil exports value, do not show separate figures for different oil companies.

3- Travel

Adjustments on exchange record figures for the travel account, credit, have been made taking into account the number of foreigners visiting Iran; their nationality and average stay.

On the payments side our adjustment has been based on the average expenditure of Iranian students abroad, considering their number in different countries.

4- Investment Income

In 1964-65 (1343) the Iranian Government did not receive any revenue from the Iran-Italian and Iran-Pan American oil companies. The inclusion of \$5 million in Bank Markazi Iran Balance Sheet was the result of a misunderstanding. This amount was transferred later, to revenue from the oil consortium raising revenue from the Consortium to \$479.9m. The first income payment by SIRIP took place in 1344 (1965-66).

*In 1961/62 we have used Exchange record figure NOT interested in trade return figure.*

*I think and question was on Exports!*

*Does not affect 1964/65 figures*

We confirm your note on item 6.2. Regarding the difference between our figure on payments for interest (item 6.2 debit) and those shown in the "Balance Sheet" of Bank Markazi Iran, it should be noted that the former is more comprehensive and up-to-date. Moreover interest payments for 1964-65 include 4.9 million interest paid on foreign suppliers' Credits, which was not available to us at the time of preparing "Balance Sheet" figures.

It should be noted that the Balance Sheet figures are usually revised for BOP purposes and BOP are more up-to-date.

5- Government n.i.e.

Your footnote that the figures for diplomatic missions' expenditure in Iran include miscellaneous expenditure by the USAID Mission in Iran, out of rials obtained from sales of agricultural commodities, is correct. This estimated USAID expenditure as reported by themselves, were \$0.8 million for 1961-62, \$0.7 million for 1962-63, \$0.6 million for 1963-64 and \$0.5 million for 1964-65.

6- Other Services

Item 8.1, debit, represents only purchases of services by the Oil Consortium and item 8.2 debit, in addition to the miscellaneous for the private sector, includes foreign exchange expenditure of the National Iranian Oil Company (other than those for merchandise import and travel) as shown separately in our statement. It should be remembered that the NIOC travel expenditure should be included in the travel account. No information on other oil companies expenditure on services is available.

*Are they long-term loans?*

*Details are shown in Table B.*

7- U.S. Assistance to Iran

*Agree*  
Our data on U.S. assistance to Iran are based on information directly obtained from the U.S. AID Mission to Iran. But as you have mentioned, your data are more comprehensive and we also prefer to use these new figures. The entries for CARE aid represent mostly P.L. 480 and other U.S. Government Agencies grants as well as private American grants to Iran. The latter is negligible.

*No change*  
8- Regarding oil consortium investment in Iran for the years 1960 and 1961, as there is not any figure available to us except those reported to you before, the use of old figures is confirmed.

With respect to the oil consortium's special payment to Iran it should be remembered that it amounted to \$40 million rather than \$35 and should be treated as consortium investment in Iran.

Regarding investment by other oil companies in Iran, it should be noted that no information on their payments for services is available. The value of oil exports by these companies, as stated in paragraph 2, has not been shown separately in custom figures.

As the Iranian Government did not receive oil revenue from the said companies it is assumed that they did not have any income themselves.

9- Regarding trade credits to the private sector, since the figures reported to you for the years 1962/63 and 1963/64 covered, as Mr. Mazhari explained to you, net repayments of trade credits

we duly eliminated those figures from our balance of payments. But the entries for 1960/61 and 1961/62, representing the gross drawings on and gross repayments of guaranteed trade credits, as you have assumed, should be retained.

In the case of foreign trade credits to the government, although government agencies have been using foreign trade credits for a number of years, but our information for the years prior to the 1964/65, as Mr. Mazhari explained to you, is confined to the repayments of these credits. Trying to improve our information, we have been able to include some portion of drawings on these credits 18.7 for 1964/65). The position being such - you may eliminate the entries for repayment of foreign suppliers' credits for the years prior to 1964/65.

10- Other loans received by the private sector

9 ( It should be noted that item 12 (other private long-term capital), of our balance of payments includes drawings on and repayments of IBRD, IFC and AID loans to the private sector.

We retain 0.2 repayment as there is no figure of repayment in their report.

11- Loans received by the central government.

Our data for drawings on long-term loans are those reported by the agencies concerned and those for repayments are exchange record figures originally reported by the said agencies. The discrepancies between our data, for U.S. long-term loan with those from U.S. sources may be attributed, on the one hand, to the transfer of some EX-IM Bank loan (to the Ministry of Finance) to AID and, to some extent, to difference in timing.

10 ( With respect to the EX-IM Bank loan to the Bank Markazi Iran, as this loan was used by the Plan Organization and, which assumed liability for the repayment of principal and interest, the loan is considered as a P.O. borrowing.

Let's factory explanation

12- U.S. Government holdings of rials

The changes in rial liabilities to U.S. Government in our draft, represent difference between PL 480 title I imports and title I proceeds used.

We reproduce the above said figures for the years 1961-62 to 1964/65 as reported to us by U.S. AID Mission to Iran. No corresponding figures could be present for the year 1960/61.

<u>PL 480 title I imports to Iran</u> <u>(in million U.S. dollars)</u>	<u>1961/62</u>	<u>1962/63</u>	<u>1963/64</u>	<u>1964/65</u>
F.O.B. value	8.6	10.5	0.3	12.0
Ocean Freight	2.4	2.9	0.1	3.6
Total	<u>11.0</u>	<u>13.4</u>	<u>0.4</u>	<u>15.6</u>
<u>Use of title I proceeds</u>				
Development loan (104 g.)	6.3	4.8	5.3	7.2
Military assistance (140 c.)	-	-	-	0.7
Cooley loans (104 c.)	-		0.3	1.2
U.S. uses	0.8	4.5	0.8	3.9
Total	<u>7.1</u>	<u>9.4</u>	<u>6.4</u>	<u>13.0</u>
Changes in rial liabilities to U.S.	+3.9	+4.0	-6.0	+2.6

*Rather impossible to reconcile these figures with those in Annex Table B of our Memo. There are definitional as well as coverage problems. In such a complex situation I have used their figures. c.p.*

13- Liabilities and assets of the monetary sector:

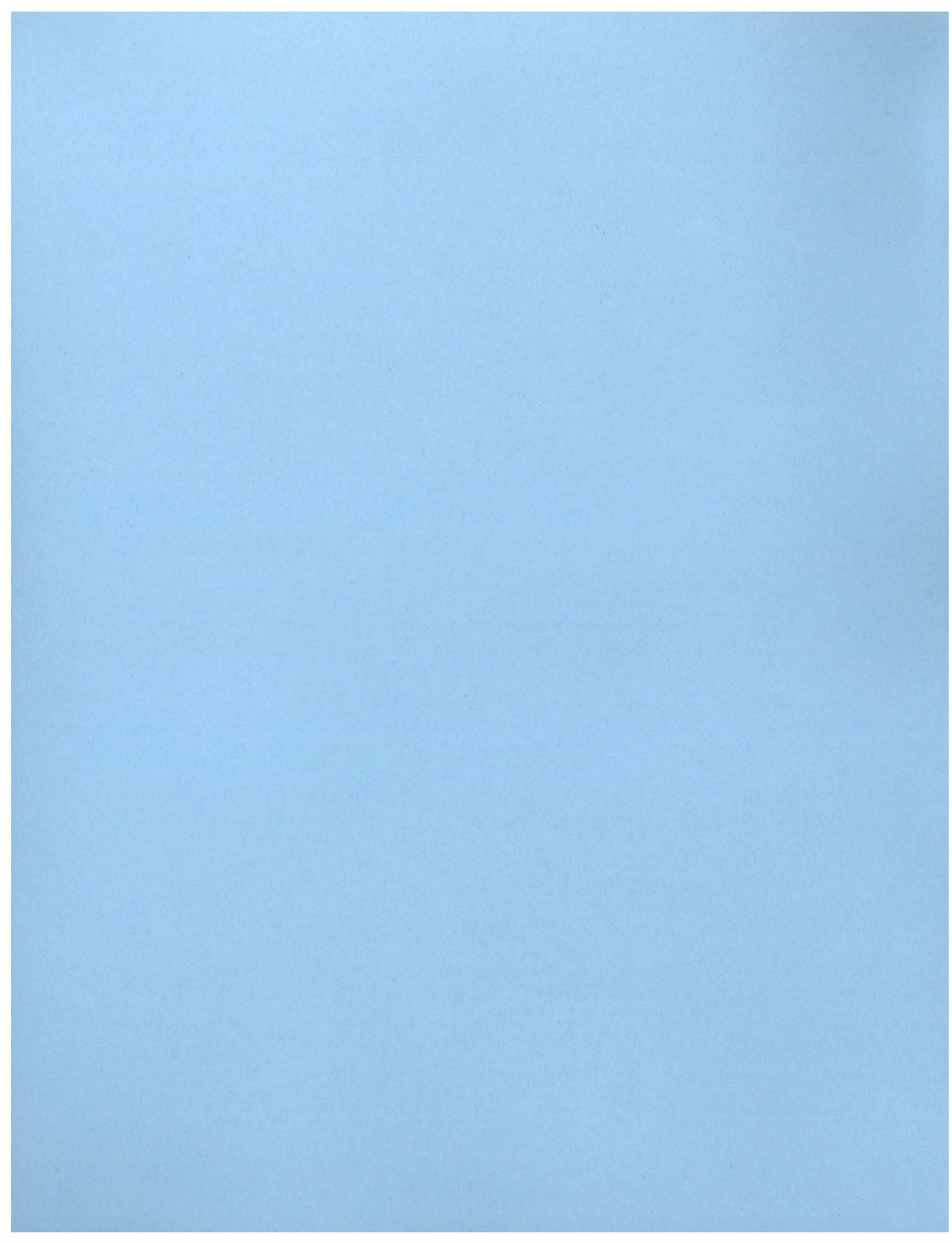
It should be noted that figures for the monetary sector's assets and liabilities inserted in the Iran page of the IFS could not at present be reconciled with those in our balance of payments.

It is reminded that the main point in our revision on figures reported to you for the years 1341-42 was the exclusion of Bank Melli Iran assets and liabilities from those for Central monetary institutions. However, this treatment cannot be applied for the years 1339-41 since the BMI did some central banking transactions in that period. It is advised that assets and liabilities of the monetary sector be shown in the year-book as follows:

*Use these figures.*

	1962/63		1963/64		1964/64	
	1341	1342	1342	1343	1343	1343
	Credit	Debit	Credit	Debit	Credit	Debit
15. Central monetary institutions	0.8	47.4	14.5	26.8	17.8	121.9
✓ 15.1 IMF rial holdings	-	20.5	-	-	17.5	-
✓ 15.2 IBRD and IDA rial holdings	0.8	-	0.8	0.1	-	-
15.3 Marketable assets	-	7.2	7.1	-	-	1.0
15.4 Exchange deposits	-	15.4	-	10.9	-	118.7
✓ 15.5 Payments agreements	-	0.8	-	3.5	-	2.2 (1)
✓ 15.6 Balance of trade with U.S.S.R.	-	3.4	6.6	-	-	-
15.7 Monetary gold	-	0.1	-	12.3	0.3	-
16. Other monetary institutions	19.1	-	5.5	11.1	8.6	8.2
16.1 Marketable assets	-	-	-	-	1.0	-
16.2 Exchange deposits	13.2	-	-	11.0	7.5	-
16.3 Rial deposits	5.4 ✓ 16	-	5.5	-	-	8.2
16.4 Gold	0.5	-	-	0.1	0.1	-

(1) From 1343 on the balance on payments agreements includes balance of trade with U.S.S.R.



**RCA COMMUNICATIONS, INC.**  
A SERVICE OF RADIO CORPORATION OF AMERICA  
1812 M STREET, N.W. TEL. FE. 8-7500



**COMMUNICATIONS, INC.**  
A SERVICE OF RADIO CORPORATION OF AMERICA  
1812 M STREET, N.W. TEL. FE. 8-7500

**ONS, INC.**  
A SERVICE OF AMERICA  
TEL. FE. 8-7500



**RCA COMMUNICATIONS, INC.**  
A SERVICE OF RADIO CORPORATION OF AMERICA  
1812 M STREET, N.W. TEL. FE. 8-7500

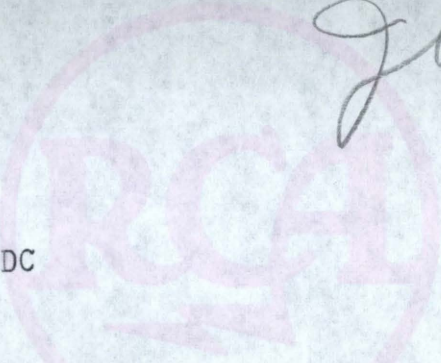


79400  
JA  
~~OS~~

REPLY VIA RCA  
FAST ACCURATE DIRECT

RC-4  
ZCZC YW1847 INU0666  
URWA HL IRTNO22  
TEHERAN 22/20 16 1345

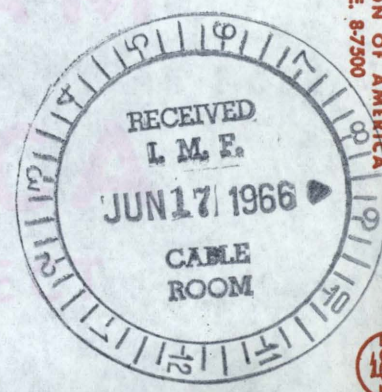
June 16, 1966



LT INTERFUND WASHINGTONDC

MR SMITH REYOURTEL FIFTEENTH MR MAZHARI WILL SEND YOU  
ANSWERS ON BALANCE OF PAYMENTS TWENTIETH JUNE MARKAZBANK

RADIOGRAM  
REPLY VIA RCA  
FAST ACCURATE DIRECT





OFFICIAL

OUTGOING MESSAGE

OFFICIAL

INTERNATIONAL MONETARY FUND  
WASHINGTON D.C.

FOR PREPARING OFFICER

- Night Letter
- Full Rate
- Code

SPECIAL INSTRUCTIONS

To: Towfic  
Markazbank  
Teheran (Iran)

Please cable date on which you will reply  
to my letter of April 6 with questions on  
Iran's balance of payments. Answers now  
urgently needed to enable us to complete  
IMF Balance of Payments Yearbook Volume 17

Smith  
Interfund

Drafted By John S. Smith

Department Research & Statistics

Date June 15, 1966

AUTHORIZATION

Signature

Second Signature When Required

FOR CODE ROOM

Time Received \_\_\_\_\_

Time Dispatched \_\_\_\_\_

Number of Words \_\_\_\_\_

Log \_\_\_\_\_

Route \_\_\_\_\_

Operator \_\_\_\_\_

DO NOT TYPE BELOW THIS LINE

May 13, 1966

Dear Dr. Towfiq:

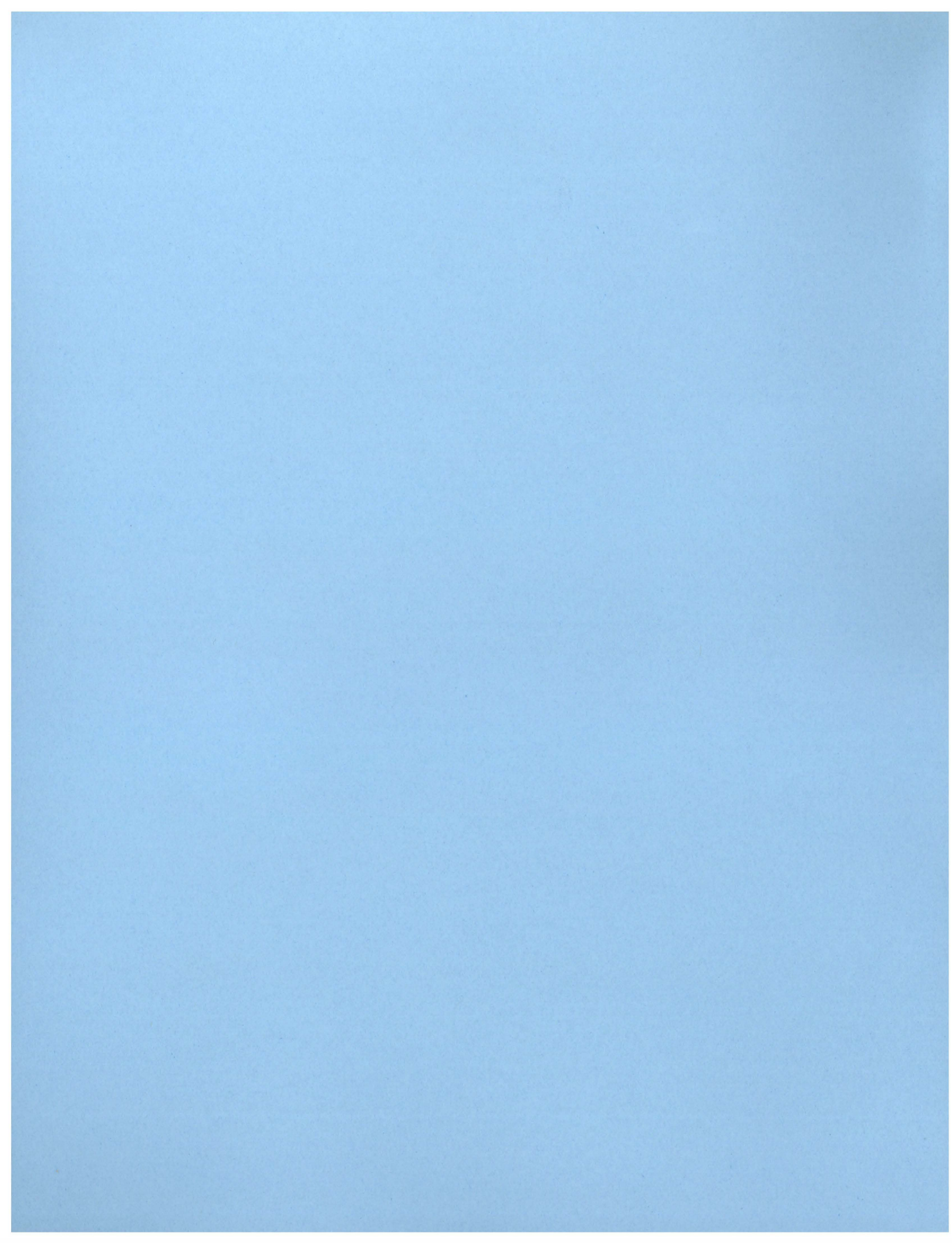
Thank you very much for your letter of March 28 (Ref. No. 531), which enclosed preliminary 1965 balance of payments figures for Iran. These data will be very useful in the preparation of the statistical documentation for our forthcoming Annual Report. They will also be used to prepare a provisional statement for publication in our Yearbook and will be added to the balance of payments summary for Iran in International Financial Statistics.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Mr. Cyrus Towfiq:  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY



*Bank Markazi Iran*  
(The Central Bank of Iran)

229610

JA  
~~SS~~  
~~UD~~

Tehran, May 4, 1966

CABLES : MARKAZBANK

Rec. No. 531

Dear Mr. Smith:

We are sorry we could not forward you our balance of payments statement for 1965 in time.

The delay, as you are aware, was due to lack of some main items, namely information on new Consortium investment for 1965.

As you will notice this statement contains revised data for the years 1963-64.

The data used in this statement are derived from customs returns for imports and non-oil exports and exchange records for services. Oil exports are shown at posted prices on shipped tonnages as reported by National Iranian Oil Company.

The exchange record figures for services were adjusted where necessary. We have also used, direct information regarding new investment by the Consortium in Iran rather than the method originally suggested by the Fund.

Replies to the questions raised in the memorandum attached to your letter of April 6, 1966 will be sent in time.

Sincerely yours,

*C. Towfiq*  
Dr. C. Towfiq  
Research Department

Mr. John S. Smith  
Chief  
Balance of Payments Division

cc: Mr. Hunter

RECEIVED  
INTERNATIONAL  
MONETARY FUND

MAY 12 1 40 PM '66

COMMUNICATIONS  
DIVISION

COMMUNICATIONS SECTION  
MAY 12 1966

TO: DIRECTOR, INTERNATIONAL MONETARY FUND  
FROM: [Illegible]  
SUBJECT: [Illegible]

[The following text is mirrored and largely illegible due to the document's orientation and bleed-through from the reverse side.]

237

[Handwritten signature and notes at the bottom of the page, including a large circular stamp.]

BALANCE OF PAYMENTS OF IRAN

FOR THE YEARS 1963-1965

The balance of payments summary for the years 1963 to 1965 is given on the next two pages. This statement has been prepared in accordance with the International Monetary Fund Manual; it shows all economic transactions of Iran with foreigners and therefore includes barter transaction as well as transactions involving exchange of foreign or national currency. Some of the data previously given for the years 1963 and 1964 have been revised.

The entries for merchandise trade are based mainly on Custom Statistics while those for services and capital account are derived from exchange records. However, a few adjustments have been made for travel accounts. The figures have been converted into US dollars, the Par being US \$1=Rls. 75.00 for exports and US \$1=Rls. 76.50 for imports.

The table treats the Oil Consortium as a resident of Iran; it covers their transactions related to the production and export of oil from this country. Direct information regarding new investment by the Consortium in Iran has been used in the table and errors and omissions related to the Consortium's account influence the "Net errors and omissions" figures.

Details of the items in Table A are given in the following pages. All amounts are expressed in millions of US dollars.

T a b l e A  
CURRENT AND CAPITAL TRANSACTIONS

\$ millions

	<u>1963</u>		<u>1964</u>		<u>1965</u>		983
	Credit	Debit	Credit	Debit	Credit	Debit	
A. Goods and Services	<u>1,035.2</u>	<u>1,044.7</u>	<u>1,181.5</u>	<u>1,229.1</u>	<u>1,326.9</u>	<u>1,498.6</u>	
1. Merchandise	988.4	513.2	1,129.9	661.1	1,232.8	846.7	
1.1 Oil sector	866.9	43.1	985.3	50.0	1,064.4	81.7	765
1.2 Other	121.5	470.1	144.6	611.1	168.4	765.0	197 186
2. Non-monetary gold	-	-0.4	-	0.2	-	0.4	
3. Freight and merchandise insurance	1.0	-	1.0 <sup>✓</sup>	-	1.0 <sup>✓</sup>	-	
4. Other transaction	5.8	8.9	6.1 <sup>✓</sup>	9.1 <sup>✓</sup>	8.2 <sup>✓</sup>	7.9 <sup>✓</sup>	
4.1 Passenger fares	4.8	7.6	5.1	7.8	7.2	5.4	
4.2 Time charters	-	1.3	-	1.3	-	2.5	
4.3 Bunker fuel	1.0	5	1.0	-	1.0	-	
5. Travel	8.0	33.6	9.0 <sup>✓</sup>	35.5 <sup>✓</sup>	10.0 <sup>✓</sup>	36.2 <sup>✓</sup>	
6. Investment income	2.6	389.3	3.2 <sup>✓</sup>	443.9 <sup>✓</sup>	6.0 <sup>✓</sup>	478.9 <sup>✓</sup>	
6.1 Oil Consortium	-	373.5	-	430.1	-	464.6	
6.2 Other	2.6	15.8	3.2	13.9 <sup>8</sup>	6.0	14.3	
7. Government, not included elsewhere <i>add U.S. embassy expenditures</i>	29.4	41.5	10.3 <sup>✓</sup>	47.8 <sup>✓</sup>	30.6 <sup>✓</sup>	45.4 <sup>✓</sup>	
8. Other services	19.4	57.8	22.0 <sup>✓</sup>	31.4 <sup>✓</sup>	38.3 <sup>✓</sup>	83.2 <sup>✓</sup>	
8.1 Oil Consortium	-	20.2	-	19.9	-	44.8	
8.2 Other	19.4	37.6	22.0	11.5	38.3	38.4	
Net goods and services	-	29.5	-	47.6	-	171.7	
Trade balance (1 and 2)	474.8	-	468.8	-	386.1	-	
Net services	-	484.3	-	516.4	-	403.2	
B. Transfer Payments	<u>25.0</u>	<u>0.1</u>	<u>14.3</u>	<u>0.1</u>	<u>7.8</u>	<u>0.2</u>	
9. Private	2.0	0.1	1.0 <sup>✓</sup>	0.1 <sup>✓</sup>	1.0 <sup>✓</sup>	0.2 <sup>✓</sup>	
10. Central government	23.0	-	13.3	-	6.8	-	
Net total (1 through 9)	-	7.6	-	46.7	-	170.9	
Net total (1 through 10)	15.4	-	-	33.4	-	164.1	

Table A (continued)

	1963		1964		1965	
	Credit	Debit	Credit	Debit	Credit	Debit
C. Capital and Monetary Gold	2.1	-	48.0	-	245.8	-
11. Private long-term capital	51.1	-	51.4	-	317.8	-
Direct investment	51.1	-	51.4	-	317.8	-
11.1 Oil sector	46.9	-	50.4	-	316.5	-
11.2 Other	4.2	-	1.0	-	1.3	-
12. Other private long-term	0.6	0.2	1.4	0.5	2.6	0.7
14. Central government	-	26.5	-	58.9	11.3	11.8
14.1 Long-term loans	-	5.7	-	31.2	-	14.6
14.2 US Government rial holdings	-	6.0	-	-	-	8.5
14.3 Suppliers' credits	...	13.9	...	26.8	11.3	-
14.4 Subscription to non-mone- tary international organi- zations	-	0.9	-	0.9	-	-
15. Central monetary institutions	-	30.6	51.5	-	-	61.6
15.1 IMF rial holdings	-	-	17.5	-	-	3.45
15.2 IBRD and IDA rial holdings	0.8	-	0.8	-	-	-
15.3 Marketable assets	-	4.0	-	-	-	2.0
15.4 Exchange deposits	-	12.1	31.9	-	-	47.0 X
15.5 Other short-term assets and liabilities	-	2.4	0.8	-	-	4.1
15.6 Gold	-	12.9	0.5 X	-	-	5.1 X
16. Other monetary institutions	7.7	-	3.1	-	-	11.8
16.1 Marketable assets	-	-	-	-	1.0	-
16.2 Exchange deposits	6.8	-	-	2.3	-	16.4
16.3 Rial deposits	0.4	-	5.5	-	3.5	-
16.4 Gold (Bank Melli Iran)	0.5	-	-	0.2	0.1	-
Net errors and omissions	17.5	-	-	14.6	-	81.7



## NOTES TO TABLE A

## 1. Merchandise

Non-oil exports are as shown in trade returns; oil exports are valued at posted prices on shipments reported by NIOC. Imports figures are also derived from trade returns. Details of entries are given in the table below:

T a b l e 1  
M E R C H A N D I S E A C C O U N T

	1963	1964	1965
E X P O R T S			
Exports, FOB, from trade returns:			
Oil	866.9	985.3	1064.4
Other than Oil	121.5	144.6	168.4
	<u>988.4</u>	<u>1129.9</u>	<u>1239.8</u>
I M P O R T S			
Imports, CIF:			
By oil companies:			
Oil Consortium as reported by themselves	32.7	36.4	52.0
National Iranian Oil Company	4.4	5.6	21.7
Others	6.0	8.0	8.0
	<u>43.1</u>	<u>50.0</u>	<u>81.7</u>
By other than oil companies	475.1	616.1	770.0
Coverage adjustment for shipments to foreign diplomatic missions	<u>- 5.0</u>	<u>- 5.0</u>	<u>- 5.0</u>
Imports as shown in trade returns	513.2	661.1	846.7

## 2. Non-monetary gold

The entries show sales of gold coin to the public by Bank Melli Iran.

### 3. Freight and merchandise insurance

The credit entries cover insurance claims received for lost or damaged imports. No debit items are shown as freight and insurance on imports are included in item 1, debit.

### 4. Other transportation

The credit entries cover passenger fares received by Iranian carriers (line 4.1) and sales of bunker fuel to foreigners by the National Iranian Oil Company (line 4.3). The debit entries cover passenger fares paid to foreign airlines in foreign exchange sold by the authorized banks (line 4.1) and payments for charter hire (line 4.2)

### 5. Travel

The credit entries show estimates of foreign travellers' expenditures in Iran. The debit entries are also estimates of expenditures of Iranians travelling abroad including those of students.

### 6. Investment income

6.1 Oil Consortium: Investment income paid to foreigners by the Oil Consortium is assumed to be equal to income tax payments by the Consortium to the Iranian government since, by agreement, the government and the Consortium share equally in the profits from production and refining operations in Iran. The entry for 1965, however, excludes special payments to Iran under OPEC agreement (40.0).

6.2 Other: The credit entries show interest received by the Bank Markazi and Bank Melli Iran. The debit entries cover interest on long-term official loans. (15.6 for 1963, 13.7 for 1964 and 14.3 for 1965) and interest on IBRD and US loans to private sector.

### 7. Government, not included elsewhere

Details of the entries are shown below:

T a b l e 2  
GOVERNMENT ACCOUNT

	1963	1964	1965
RECEIPTS			
Foreign diplomatic expenditures in Iran	17.7	5.5	9.1
Iranian government receipts from abroad	<u>11.7</u>	<u>4.8</u>	<u>21.5</u>
	29.4	10.3	30.6
<i>U.S. Embassy expenditures</i>	<u>2.0</u>	4.0	8.0
PAYMENTS			
Diplomatic expenditures abroad by Iran	6.7	8.1	8.3
Purchases of services by Plan Organization	18.9	15.4	10.9
Other expenditures by Iranian government	8.7	16.4	19.4
Technical assistance services financed by:			
United Nations	3.5	4.0	4.0
US government	<u>3.7</u>	<u>3.9</u>	<u>2.8</u>
	41.5	47.8	45.4

## 8. Other services

8.1 Oil Consortium: The entries show purchases of services by the Oil Consortium for operations in Iran as reported by themselves.

8.2 Other: The entries are based on the exchange record. The debit entries include foreign exchange expenditure (other than those for merchandise imports and travel) of the National Iranian Oil Company 29.0 for 1963, 5.5 for 1964 and 29.9 for 1965.

## 9. Private transfer payments

The entries cover estimated private donations in kind, and aid received from the CARE organization in the United States.

## 10. Central government transfer payments

The entries cover US technical assistance grants other US grants, and UN technical assistance grants. Technical assistance grants are partly in the form of imports and partly in the form of services.

## 11. Private long-term capital

11.1 Oil sector investment: The entries cover changes in investment by the foreign Oil companies as shown below:

T a b l e 3  
OIL SECTOR INVESTMENT

	1963	1964	1965
Oil Consortium new investment as reported by themselves	36.7	31.4	67.2
Special payments to Iran under OPEC agreement	-	-	40.0
Other oil companies	10.2	19.0	209.3
	<u>46.9</u>	<u>50.4</u>	<u>316.5</u>

11.2. Other direct investment: The figures show increases in investment by industrial companies.

## 12. Other private long-term capital

Credit entries show drawings on and debit entries cover repayments of IBRD, and AID loans to the private sector.

## 14. Central government

14.1 Long-term loans: Details of this account are given in the table below:

T a b l e 4  
LONG-TERM LOANS

	1963	1964	1965
<b>Drawing from:</b>			
IBRD (for Plan Organization)	11.0	0.8	4.0
Germany (for Plan Organization)	4.6	-	9.8
US Government:			
DLF loans (for Plan Organization)	7.7	0.2	2.5
Loans in Iranian rials	4.8	4.1	-
Ex-IM Bank loans	-	-	2.1
U.S.S.R. Credit	-	-	0.6
	25.1	5.1	19.0
<b>Repayments to:</b>			
IBRD	5.0	5.8	4.6
United Kingdom			
British Petroleum Co. (Compensation)	7.0	7.0	7.0
US Government			
Export-Import Bank	11.6	12.7	11.1
DLF loans	7.2	10.8	10.9
	30.8	36.3	33.6

14.2 US Government rial holdings:

The entries cover changes in rial deposit liabilities to the US Government resulting from purchases (credit) of US surplus agricultural commodities with rials and from the use (debit) of the sales proceeds for US Government expenditures.

14.3. Suppliers' credit: The entries show drawings on and repayments of foreign suppliers' credit to official entities and Ministry of War.

15. Central monetary institutions.

15.1 IMF rial holdings:

The credit entry for 1964 shows a purchase and the debit entry for 1965 a repurchase of foreign exchange from the International Monetary Fund.

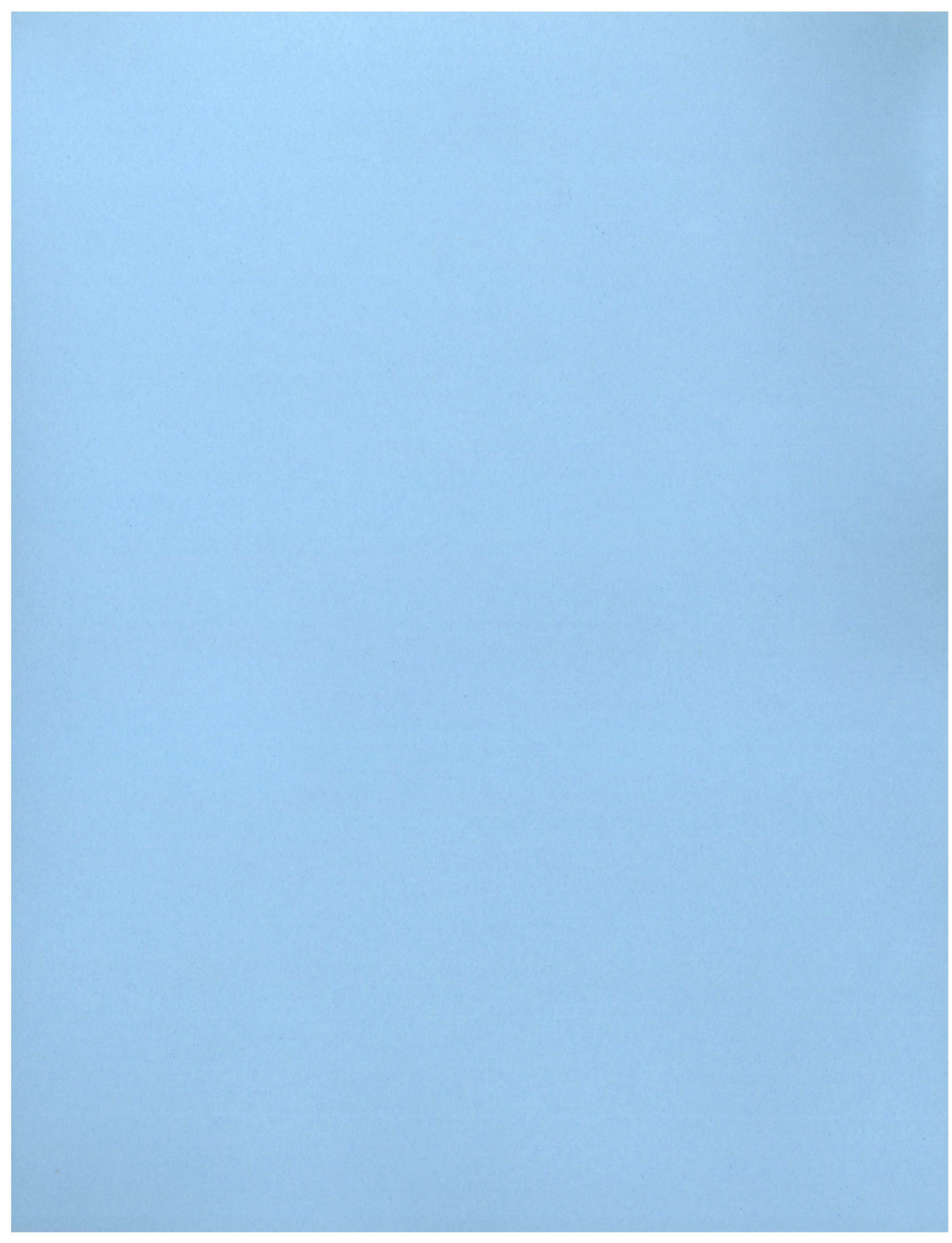
15.2 IBRD and IDA rial holdings:

The credit entries show increases in Iran's liabilities resulting from the payment of rial subscriptions to the IBRD and IDA. The subscriptions themselves are entered as debits in item 14.4.

15.5 The entries show changes in bilateral balances and balance of trade with the USSR.

Net errors and omissions

Some errors and omissions in 1965 may be attributed to the settlement of foreign suppliers' credits by private sector for which direct information is not available, as well as accumulation of foreign holdings by the private sector in that year.



May 1, 1966

Dear Sir:

Enclosed is our formal request, which is made each year at this time, for balance of payments information to be reported to the IMF under Article VIII, Section 5, of the Fund Agreement. Tables to be used in reporting your balance of payments data were mailed to you in April, and instructions for completing them are given in the Fund's Balance of Payments Manual, Third Edition.

We are also making the usual request on behalf of the United Nations for additional regional details of the international flow of long-term capital and central government transfer payments. Special reporting forms have been sent to you for this purpose, and we should appreciate your transmitting them to us on completion for forwarding to UN headquarters.

It will be of great help to us in our program of work for the next twelve months if you can send us the completed forms on the dates indicated in the attachment to this letter. Please let us know as far in advance as possible if you anticipate any serious delay in dispatching your reports.

I must again sincerely thank you for your continued cooperation in regularly providing the Fund with the balance of payments information that it requires.

Sincerely yours,

John S. Smith  
Assistant Director  
(for Balance of Payments Division)  
Research and Statistics Department

Mr. Cyrus Towfig  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY

April 6, 1966

Dear Dr. Abadian:

I am sending you two copies of the draft for the Iranian section of the seventeenth volume of our Balance of Payments Yearbook, incorporating the figures for 1962/63-1964/65 from the reports that you sent us on September 27, 1965 and February 19, 1966.

A number of minor problems arose while we were preparing the draft, as explained in the attached memorandum. Can you let us have the answers to our questions, together with any revisions you may wish to make, before May 18, to enable us to publish our Yearbook pages for Iran in July.

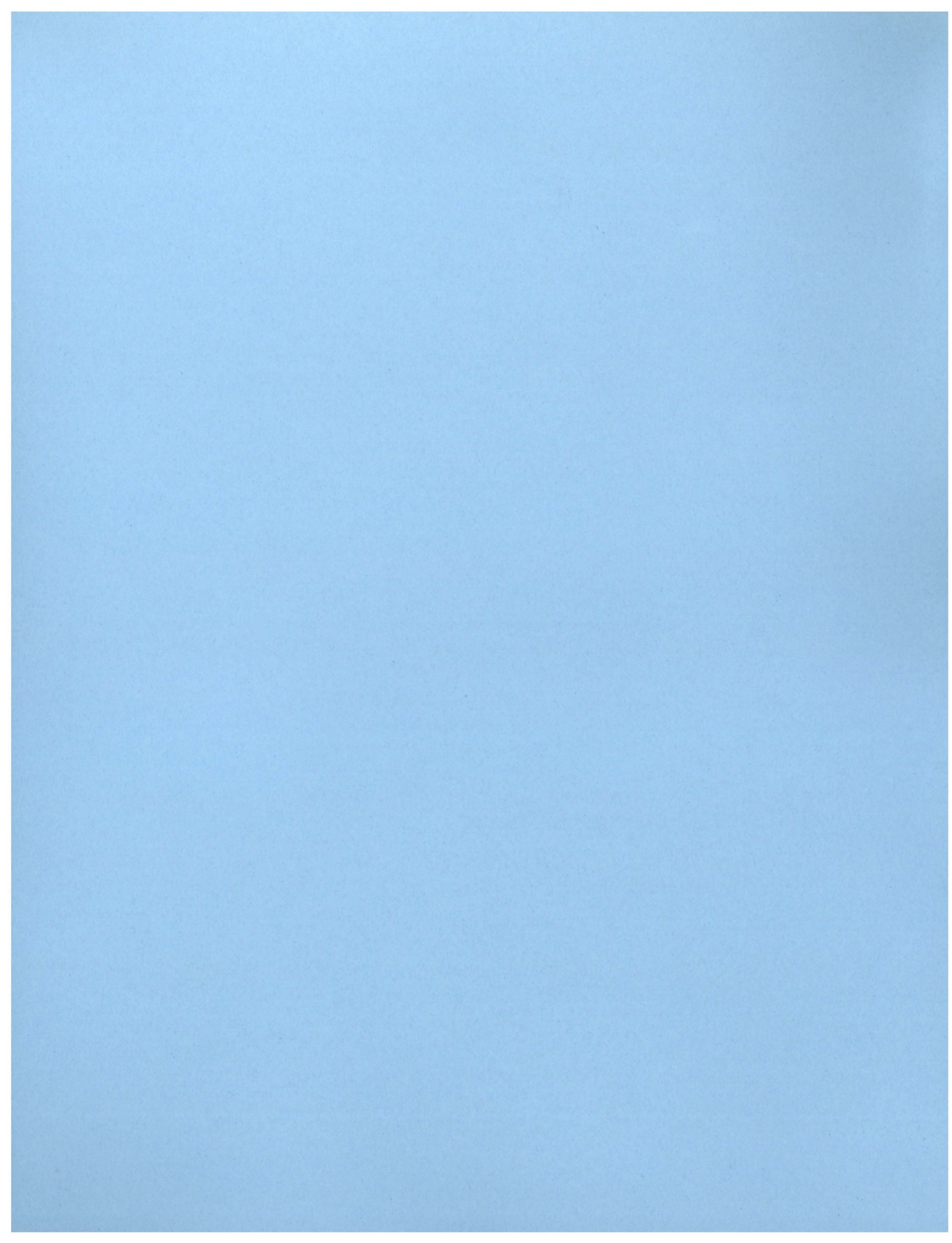
Sincerely yours,

John S. Smith  
Chief  
Balance of Payments Division

Dr. Bahman Abadian  
Director, Research Department  
Bank Merkazi Iran  
Teheran, Iran

SUBJECT COPY





Questions and Comments on the Iranian Draft Section  
for the Balance of Payments Yearbook, Volume 17

1. Conversion rates

Is it correct to assume that the figures for 1960/61 and 1961/62 were converted into U.S. dollars in the same way as those for the years 1962/63-1964/65, i.e., by using the official rates of Rls 75.00 buying and Rls 76.50 selling per US\$1, rather than the par value rate?

2. Merchandise

For 1961/62, we have used in our draft the trade returns figures, currently published by Bank Markazi in its May-June 1965 issue of the Bulletin (\$752.7 million) rather than those shown in our sixteenth Yearbook (\$742.4 million), on the assumption that the Bulletin figures represent revisions of those originally reported. The offsetting adjustment is made in item 11.1 (direct investment: oil consortium) in our draft. Is this correct?

We understand that the Iran-Italy Oil Company and the Iran-Pan American Oil Company produced and exported crude oil in 1961-64 (see pages 138 and 139 of the May-June 1965 issue of the Bulletin of the Bank Markazi). Does the value of oil exports attributed to the oil consortium in our draft include the amounts of oil exports by these oil companies? We should like to have separate figures for oil exports by these companies (see also paragraph 8 below).

3. Travel

Please give us details of the adjustments you have made to the exchange record figures for travel receipts in 1961/62-1964/65 and for travel expenditures in 1962/63-1964/65. We should like to make similar adjustments to the credit entry for 1960/61 and to the debit entries for 1960/61 and 1961/62 in item 5 in our draft.

*Separate figs  
not available.*

*Export  
or  
import?*

*1964/65*

4. Investment income

On page 119 of the "Balance Sheet, as at March 20, 1965" of Bank Markazi, it is stated that in 1964/65 "for the first time a sum of \$5 million was received from the other oil companies." We understand from the Fund's Middle Eastern Department that this amount represents the Iranian Government's share of the profits, or "regular income," from the operations of the Iran-Italy Oil Company and the Iran-Pan American Oil Company in Iran. If this is so, we should like to include in item 6 in our draft the amount of investment income of these oil companies in that year. Please furnish us with this information (see paragraph 8 below). Did these companies show profits in earlier years?

*Conf. Inmed.*  
Please confirm that our note to item 6.2 is correct and explain why for 1961/62, 1963/64, and 1964/65 your exchange record figures on payments for interest on long-term official loans (in millions of U.S. dollars: 10.7 for 1961/62, 15.9 for 1963/64, and 18.2 for 1964/65) differ from the exchange record figures for "interest paid by the public sector" shown on page 118 of the "Balance Sheet" of Bank Markazi (in millions of U.S. dollars: 11.6 for 1961/62, 15.0 for 1963/64, and 13.6 for 1964/65).

5. Government n.i.e.

We have added a footnote to Table B in our draft indicating that the entries for diplomatic expenditures in Iran include miscellaneous expenditures by the U.S. Embassy out of U.S. Government holdings of Iranian rials (acquired by the U.S. Government from sales to Iran of surplus agricultural commodities). This seems to be confirmed by the fact that your entries for diplomatic expenditures are higher than the exchange record figures published in the May-June 1965 Bulletin of Bank Markazi. May we have your comments on this point. Can you let us have separate figures for these U.S. expenditures in rials. See also paragraph 12 below.

6. Other services

Is it correct to assume that the debit entries in item 8 include expenditures on services by oil companies other than the National Iranian Oil Company and the Consortium? If so, we should like to have this information separately for all the years covered in the draft (see paragraph 8 below). We should also like to know the reasons for the difference between your exchange record figures for N.I.O.C. expenditures included as debits in item 8 (in millions of U.S. dollars: 4.2 for 1960/61, 7.6 for 1962/63, and 13.8 for 1964/65) and those, also based on the exchange record, that are published on page 118 of the "Balance Sheet" (in millions of U.S. dollars: 4.6 for 1960/61, 8.7 for 1962/63, and 14.8 for 1964/65).

7. U.S. assistance to Iran

For your reference, we reproduce below official U.S. data on their aid to Iran for years ending March 31 (in millions of U.S. dollars):

	<u>1960/61</u>	<u>1961/62</u>	<u>1962/63</u>	<u>1963/64</u>	<u>1964/65</u>
Grants of surplus agricultural commodities for famine relief, including freight (P.L. 480, Title II)	7.5	1.4	8.1	8.4	0.4
Grants of surplus agricultural commodities distributed through private agencies, including freight (P.L. 480, Title III)	1.0	2.0	3.3	4.5	0.8
Cash grant out of U.S. holdings of Iranian rials (P.L. 480, Title I)	--	1.2	--	--	--
AID grants of goods and services	30.5	40.7	5.5	7.8	4.1
Peace Corps assistance	--	--	0.2	0.3	1.3
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Total	39.0	45.3	17.1	21.0	6.6

We have used these figures to reallocate the totals for U.S. grants between items 9 and 10 in our draft. Please note that item 9, credit, in our draft now covers private transfers, as shown in your reports, and U.S. grants of surplus

agricultural commodities provided under the terms of P.L. 480, Titles II and III, as shown in official U.S. sources. These grants were made to the private sector and, therefore, belong to the item for private transfer payments. We have assumed that your entries for CARE aid represent U.S. Assistance under the terms of Title III of P.L. 480, and to avoid double-counting, we have excluded them from item 9 for all the years covered in our draft since we have used instead the more comprehensive U.S. totals. Is this correct?

Our entries for U.S. aid in item 10, credit, cover only official U.S. grants to Iran (cash grants, AID grants of goods and services, and Peace Corps assistance). In our note to item 10, we have not differentiated between AID assistance in the form of goods and that in the form of services, because this information is not available in official U.S. sources. Also, in the absence of U.S. figures, we have retained your entries in item 7, debit, that should offset the grants of technical assistance received from the United States. To the extent that they do not offset the amounts of the grants, they will give rise to debit entries for errors and omissions.

The debit entries in our item 10 cover grants by the Iranian Government to the U.S. Government of the agreed percentage of the Iranian rial counterpart of U.S. grant aid previously received and entered on the credit side of this item. We have assumed that these amounts (in millions of U.S. dollars: 0.8 for 1961/62 and also for 1962/63, 1.8 for 1963/64, and 2.5 for 1964/65) are included as decreases with the other changes in Iranian rial deposit liabilities to the U. S. Government, and we have not altered your figures shown in item 15.2 in our draft (see paragraph 12 below).

#### 8. Direct investment capital

Following the procedure adopted in the past, we have used your revised figures for 1962/63-1964/65 to derive the entries for direct investment in

item 11.1 in our draft as the difference between the oil consortium's receipts and payments. The information supplied by the consortium on its investment in 1962, 1963, and 1964 has been added to the note to item 11.1. As the figures for the consortium's net investment (\$14.3 million for 1962 and \$36.7 million for 1963) differ substantially from those originally reported to us (\$6.1 million and \$6.4 million, respectively), the information on net disinvestment in 1960 (\$6.2 million) and in 1961 (\$4.1 million) should presumably be revised too. Would you please furnish the new figures or confirm that we can still use the old estimates.

In calculating the entry for 1964/65 in Table C in our draft, we have shown \$35 million as a special payment under OPEC negotiations. The Fund's Middle Eastern Department has informed us that of the \$40 million which, as mentioned in our letter of February 19, is included in item 11 in your statement for 1964/65, only \$35 million represents the sum received by the Iranian Government from the oil consortium under OPEC negotiations; the other \$5 million is "regular income" of the Iranian Government from the operations of the other oil companies (see paragraph 4 above). We have tentatively added this \$5 million to your entry (\$190.5 million) for direct investment by the other oil companies in 1964/65. Is this correct?

In the attached Annex A, the entries for direct investment from abroad in the Iran-Italy Oil Company and the Iran-Pan American Oil Company are calculated as the difference between receipts and expenditures of these companies. Please fill in the missing details for exports, services, and direct investment income in our Annex A table. We need this information to complete Table 2 in our draft. See also preceding paragraphs 2, 4, and 6.

#### 9. Trade credits to private firms and government enterprises

The figures for 1956/57-1963/64, reproduced below, on trade credits to private firms, guaranteed by Bank Melli and Bank Markazi, and to government enterprises (State Railways, Tehran Electricity Board, and Tehran Telephone

Company) are those published in our Balance of Payments Yearbooks, Volumes 13 through 16. The 1964/65 figures for trade credits to government enterprises are those shown in your official balance of payments report for that year.

	Trade Credits to Private Firms		Trade Credits to Government Enterprises	
	Credit	Debit	Credit	Debit
(In millions of U.S. dollars)				
1956/57	7.4	3.9	42.4	--
1957/58	4.0	1.6	--	6.7
1958/59	24.8	8.8	2.6	16.8
1959/60	11.6	11.2	--	8.5
1960/61	15.0	7.0	--	4.0
1961/62	--	8.0	--	2.8
1962/63	--	62.9	--	19.2
1963/64	--	5.0	--	26.3
1964/65	--	--	14.0 <sup>1/</sup>	38.6 <sup>5</sup>

<sup>1/</sup> Excluding \$4.7 million received by the Ministry of War.

In your revised reports for the three latest solar years, the entries for trade credits to private firms have been omitted. We understood from Mr. Mazhari, with whom we took up this problem during his stay in Washington, that this was done simply because the figures furnished to us in the past covered net repayments of trade credits. These were calculated as the difference between, on the one hand, the amounts of new letters of credit opened and bills received and, on the other hand, the amounts of letters of credit and bills settled during each period. Mr. Mazhari explained that this is the best estimate available of the changes in these liabilities, since it is not known at the present what portion of imports financed by trade credits enters the trade returns figure in any given year. If this is the case, we agree that those entries should be eliminated from the balance of payments, but it seems that the existing entries for 1960/61

(credit

(credit of \$15.0 million and debit of \$7.0 million) and for 1961/62 (debit of \$8.0 million) might represent the gross drawings and gross repayments on guaranteed trade credits. On this assumption we have retained those entries in item 12.1 in our draft; do you agree?

As to trade credits to government enterprises, we understood from Mr. Mazhari that information is available only on repayment of the credits received. In your official balance of payments statements for 1962/63-1964/65, you show, however, drawings by government enterprises of \$14.0 million in 1964/65. Did Mr. Mazhari, perhaps, mean that these enterprises did not receive any trade credits in 1960/61-1963/64? In this case, the entries for the decline in liabilities of these enterprises are perfectly valid. On the other hand, if the government enterprises did receive trade credits in those years, but no information is available for inclusion in item 12.2, credit, in our draft, we should prefer to eliminate the debit entries altogether. Please comment fully on this point.

10. Other loans received by the private sector

IBRD and IFC official records for the year ended March 31, 1965 show repayments on IBRD loans of \$0.1 million and on IFC loans of \$0.1 million, which we have included in our item 12.4, debit, assuming that those entries were not included elsewhere in your report; we have made offsetting entries in net errors and omissions. Is this correct?

11. Loans received by the central government

We have compared your data for long-term loan transactions with the United States with those from official U.S. sources for years ending March 31 and have found various discrepancies which cannot be attributed entirely to difference in timing, as shown in the table below:



	<u>1960/61</u>	<u>1961/62</u>	<u>1962/63</u>	<u>1963/64</u>	<u>1964/65</u>
(In millions of U.S. dollars)					
AID loan drawings					
According to Iranian statements	13.5	53.4	16.5	4.7	1.3
According to U.S. sources	14.3	53.7	16.7	4.8	2.0
AID loan repayments					
According to Iranian statements	0.2	0.7	3.1	7.7	12.4
According to U.S. sources	1.8	1.8	5.5	10.1	12.7
Export-Import Bank loan drawings					
According to Iranian statements	3.6	15.0	--	--	--
According to U.S. sources	3.6	15.6 <u>1/</u>	5.0	0.6	0.4
Export-Import Bank loan repayments					
According to Iranian statement	5.2	7.8	10.4	12.1	11.4
According to U.S. sources	3.7	5.4	8.6	8.9 <u>2/</u>	11.7 <u>3/</u>

- 1/ Includes \$15.0 million loan drawing by Bank Markazi.  
2/ Includes \$1.5 million loan repayment by Bank Markazi.  
3/ Includes \$3.0 million loan repayment by Bank Markazi.

Your reports for 1962/63-1964/65 do not show any drawings on Export-Import Bank loans. According to U.S. sources, however, the Export-Import Bank authorized loans to the Iranian Government for the highway program (May 17, 1961), for the purchase of locomotives (May 24, 1961), and for the purchase of equipment and services by the Ministry of Roads (November 7, 1963). Drawings on these loans amounted to \$0.6 million in 1961/62, \$5.0 million in 1962/63, \$0.6 million in 1963/64, and \$0.4 million in 1964/65. Also, U.S. sources indicate that the loan drawing of \$15.0 million in 1961/62 represents a loan extended by the Export-Import Bank to Bank Markazi. Please tell us why you classify this loan as a liability of the central government rather than of Bank Markazi.

You will also see from the table above that for 1960/61-1963/64 your totals for repayments on AID loans and on Export-Import Bank loans, taken together, roughly agree with the U.S. totals for repayments, but the U.S. records show the AID receiving larger repayments and the Export-Import Bank receiving smaller repayments than are shown in your reports.

In our draft, we have used figures from U.S. sources for all of the loan transactions of the Iranian Government with the United States. We have changed your figures for net errors and omissions correspondingly. Please note that the difference of \$2.7 million between the figure for AID loans in 1964/65 shown in the table above and the figure shown in the line for other U.S. agencies in Table D in our draft is accounted for by a loan extended to the Iranian Government by the U.S. Government under the terms of P.L. 480, Title IV (long-term loans repayable in dollars).

12. U.S. Government holding of rials

In the attached Annex B, we have reproduced, from official U.S. sources, the details of the transactions that gave rise to changes in U.S. Government holdings of Iranian rials. The figures cover years ending March 31.

By comparing these U.S. official figures for changes in their holdings (line 3 in the table) with those derived from your reports (line 4 in the table), we notice that, although the five-year totals in the two series differ by only \$5.2 million, the year-to-year discrepancies are quite pronounced. Since these discrepancies may arise because your figures are computed differently, we should appreciate it if you could provide us with details similar to those in our Annex B on the computation of your own figures for changes in these U.S. holdings of Iranian rials.

13. Liabilities and assets of the monetary sector

For 1962/63-1964/65, we have tentatively used your revised figures on changes in foreign liabilities and assets of the monetary sector.

Using official Iranian publications, we have unsuccessfully attempted to trace the adjustments that you make to the figures representing changes in outstanding liabilities and assets before you enter them in your balance of payments in the categories corresponding to items 16, 17, 18.4, 19.5, and 19.6 in our draft. (We should be grateful if you would study Annex C of this memorandum with a view to reconciling the three series of figures shown therein.) (Could you specify the revisions that you have made to figures previously reported for our sixteenth Yearbook and the adjustments that you may have made to adapt the banking statistics for the balance of payments.) For your convenience, we have reproduced in Annex D the outstanding amounts of the monetary sectors' liabilities and assets that you have furnished to the Fund's Bureau of Statistics for publication in International Financial Statistics.

We should like to make the entries in items 16 through 19 as accurate and self-consistent as possible. If a reconciliation is not possible, would you have any objection if the entries in our draft were derived from the outstanding amounts shown in IFS? Please let us have your comments on this point. If you prefer that we use your balance of payments statistics for our monetary sector entries, and if you cannot provide an exact reconciliation with your other published statistics (as used in IFS), please let us have a full description of the coverage of your balance of payments figures. In any event, please let us have the figures that should be inserted for 1962/63-1964/65 in item 18.4 of our draft.

Annex A. Transactions of the Iran-Italy Oil Company  
and the Iran-Pan American Oil Company

(In millions of U.S. dollars)

	1960/61	1961/62	1962/63	1963/64	1964/65
Receipts					
Exports	...	...	...	...	...
Payments					
Imports (as in Table A)	4.2	6.0	9.1	5.9	6.6
Services (part of item 8)	...	...	...	...	...
Income tax paid in Iran	--	--	--	--	<del>5.0</del>
Investment income (part of item 6.1)	...	...	...	...	...
Bonus paid to Iranian Government	--	--	--	--	185.0
Other expenditures in Iran	<u>3.0</u>	<u>3.6</u>	<u>4.5</u>	<u>1.6</u>	<u>11.6</u>
Total (part of item 11.2)	7.2	9.6	13.6	7.5	<del>208.2</del>

*9*  
*Take out*

*203.2*

Annex B. Transactions Giving Rise to Changes  
in U.S. Government Holdings of Iranian Rials

	1960/61	1961/62	1962/63	1963/64	1964/65
<b>1. Acquisition of Iranian rials by the U.S. Government from</b>					
Sales of surplus agricultural commodities	5.9	14.8	8.0	4.4	13.0
Second stage operations <sup>1/</sup>	--	--	0.3	0.7	0.8
Intercountry transfers <sup>2/</sup>	--	0.2	--	--	--
Counterpart funds <sup>3/</sup>	--	0.8	0.8	1.8	2.5
<b>Total</b>	<b>5.9</b>	<b>15.8</b>	<b>9.1</b>	<b>6.9</b>	<b>16.3</b>
<b>2. Uses of Iranian rials by U.S. Government for</b>					
Grants	--	1.2	--	--	--
Loans	--	6.3	4.9	5.7	4.5
Intercountry transfers <sup>4/</sup>	--	--	0.1	0.5	--
Other uses <sup>5/</sup>	0.3	1.0	4.9	0.1	6.3
<b>Total</b>	<b>0.3</b>	<b>8.5</b>	<b>9.9</b>	<b>6.3</b>	<b>10.8</b>
<b>3. Changes in U.S. Government holdings of Iranian rials (1 minus 2; minus sign indicates decrease)</b>					
	5.6	7.3	-0.8	0.6	5.5
<b>4. Changes in U.S. Government holdings of Iranian rials according to Iranian reports (item 15.2 in our draft)</b>					
	8.5	3.9	4.0	-6.0	2.6

<sup>1/</sup> The figures represent payments received by the U.S. Government in Iranian rials on account of principal and interest on loans extended to Iran from U.S. Government holdings of Iranian rials.

<sup>2/</sup> The figures represent sales of rials to the U.S. Government by third countries.

<sup>3/</sup> The figures represent the transfer to the U.S. Government by the Iranian Government of a portion of the rial counterpart of U.S. grant aid (see paragraph 7 above).

<sup>4/</sup> The figures represent sales of rials by the U.S. Government to third countries.

<sup>5/</sup> These figures cover expenditures by the U.S. Embassy in Iran.

Annex C. Monetary Sectors' Liabilities and Assets: Comparison  
of Balance of Payments and IFS Statistics 1/

(In millions of U.S. dollars)

	1960/61	1961/62	1962/63	1963/64	1964/65
<b>Commercial banks</b>					
<b>Liabilities</b>					
As reported for the 16th Yearbook	3.7	5.2	4.2	0.4	--
As shown in latest Balance					
of Payments reports	3.7	5.2	5.4	5.7	-7.9
As shown in IFS	n.a. <u>2/</u>	-6.1	-1.3	-1.9	3.4
<b>Assets</b>					
As reported for the 16th Yearbook	-1.1	0.1	-1.5	-2.0	--
As shown in latest Balance					
of Payments reports	-1.1	0.1	13.7	-17.1	-0.1
As shown in IFS	n.a. <u>2/</u>	53.2	15.2	-13.8	1.5
<b>Central monetary institutions</b>					
<b>Liabilities <u>3/</u></b>					
As reported for the 16th Yearbook	-2.9	-13.6	-0.1	5.1	--
As shown in latest Balance					
of Payments reports	-2.9	-13.6	--	--	--
<b>Assets</b>					
<b>Marketable securities and other claims <u>4/</u></b>					
As reported for the 16th Yearbook	7.8	-19.0	-8.0	-12.7	--
As shown in latest Balance					
of Payments reports	7.8	-19.0	-22.6	-3.8	-119.7
As shown in IFS	-1.7	-8.4	-8.0	-12.7	-115.4
<b>Monetary gold</b>					
As reported for the 16th Yearbook	1.2	0.6	0.5	-12.4	--
As shown in latest Balance					
of Payments reports	1.2	0.6	-0.1	-12.3	0.3
As shown in IFS	1.1	0.4	0.6	-12.6	0.5

1/ No sign indicates credit; minus sign indicates debit.

2/ Not available, because the outstanding amounts of liabilities and assets for 1959/60 are not comparable to those for 1960/61.

3/ Item 18.4 in sixteenth Yearbook. No line for central bank liabilities is shown in IFS.

4/ Items 19.4 and 19.5 in sixteenth Yearbook.

Annex D. Outstanding Amounts of Monetary Sectors' Foreign  
Liabilities and Assets, as Shown in International  
Financial Statistics

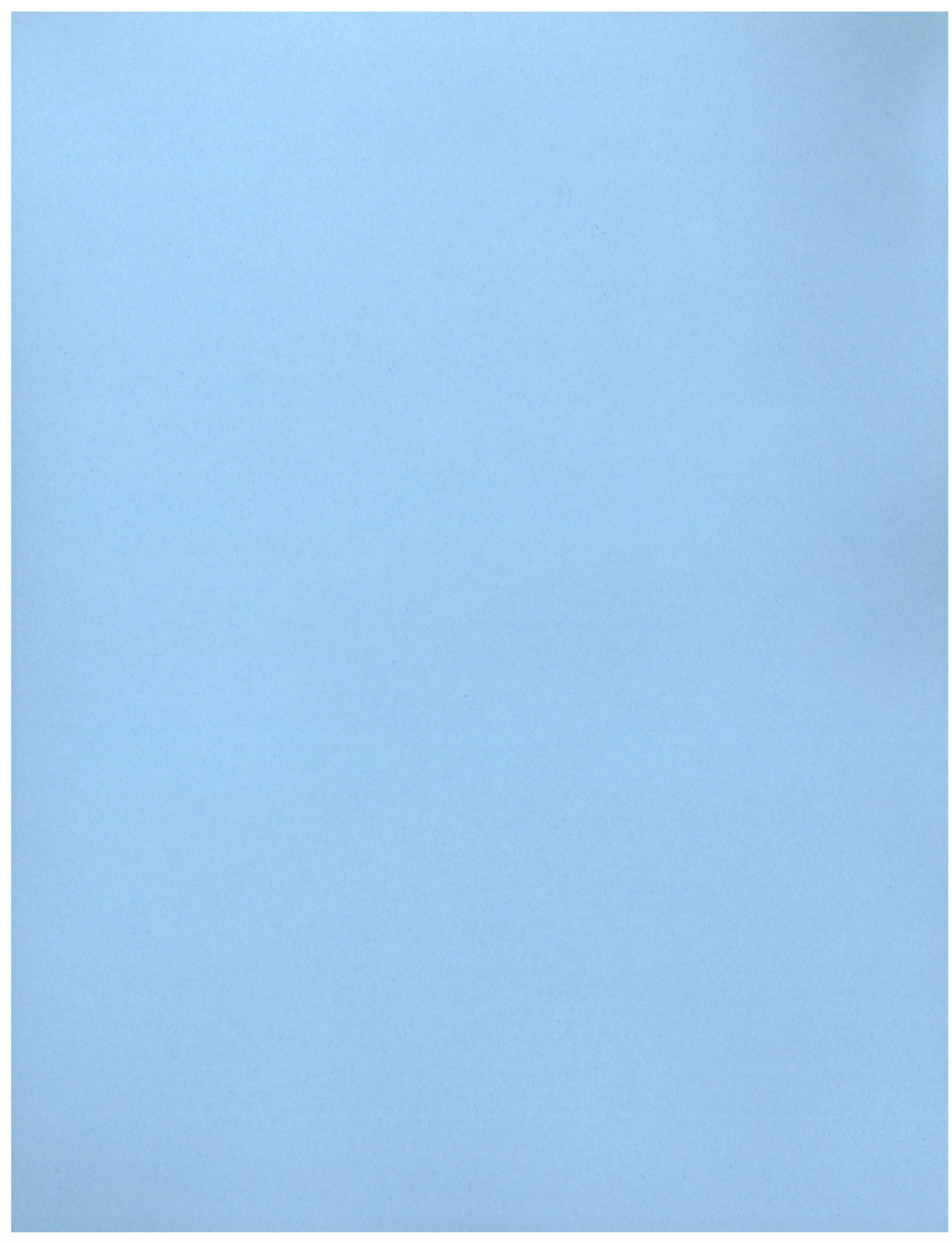
(In billions of Iranian rials)

End of solar year:	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	
<b>Commercial banks</b>							
Liabilities <sup>1/</sup>	n.a. <sup>2/</sup>	1.57	1.10	1.00	0.86	1.12	1.93
Assets	n.a. <sup>2/</sup>	6.84	2.84	1.70	2.74	2.63	3.64
Foreign exchange	n.a. <sup>2/</sup>	5.79	2.78	1.68	2.71	2.60	
Gold of Bank Melli	n.a. <sup>2/</sup>	1.05	0.06	0.02	0.03	0.03	
<b>Central Bank</b>							
Liabilities <sup>3/</sup>	--	--	--	--	--	--	
Assets							
Gold	9.81	9.73	9.70	9.65	10.60	10.56	
Bank Markazi	--	--	9.65	9.65	10.57	10.54	
Bank Melli	9.81	9.73	0.05	0.02	0.03	0.02	
Foreign exchange	4.37	4.49	5.13	5.73	6.68	15.34	
Bank Markazi	--	--	3.29	4.99	5.28	14.25	
Bank Melli	4.37	4.49	1.84	0.74	1.40	1.09	

<sup>1/</sup> Including foreign liabilities of Bank Melli.

<sup>2/</sup> Not available on a comparable basis for 1959/60.

<sup>3/</sup> Not shown on the page for Iran in IFS.





RC3 YW1580 INU676

URWA HL IRTN 028

TEHERAN 28 (31) 1510

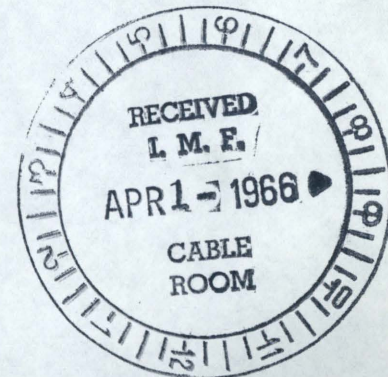
*March 31, 1966*

LT

INTERFUND WASHINGTON

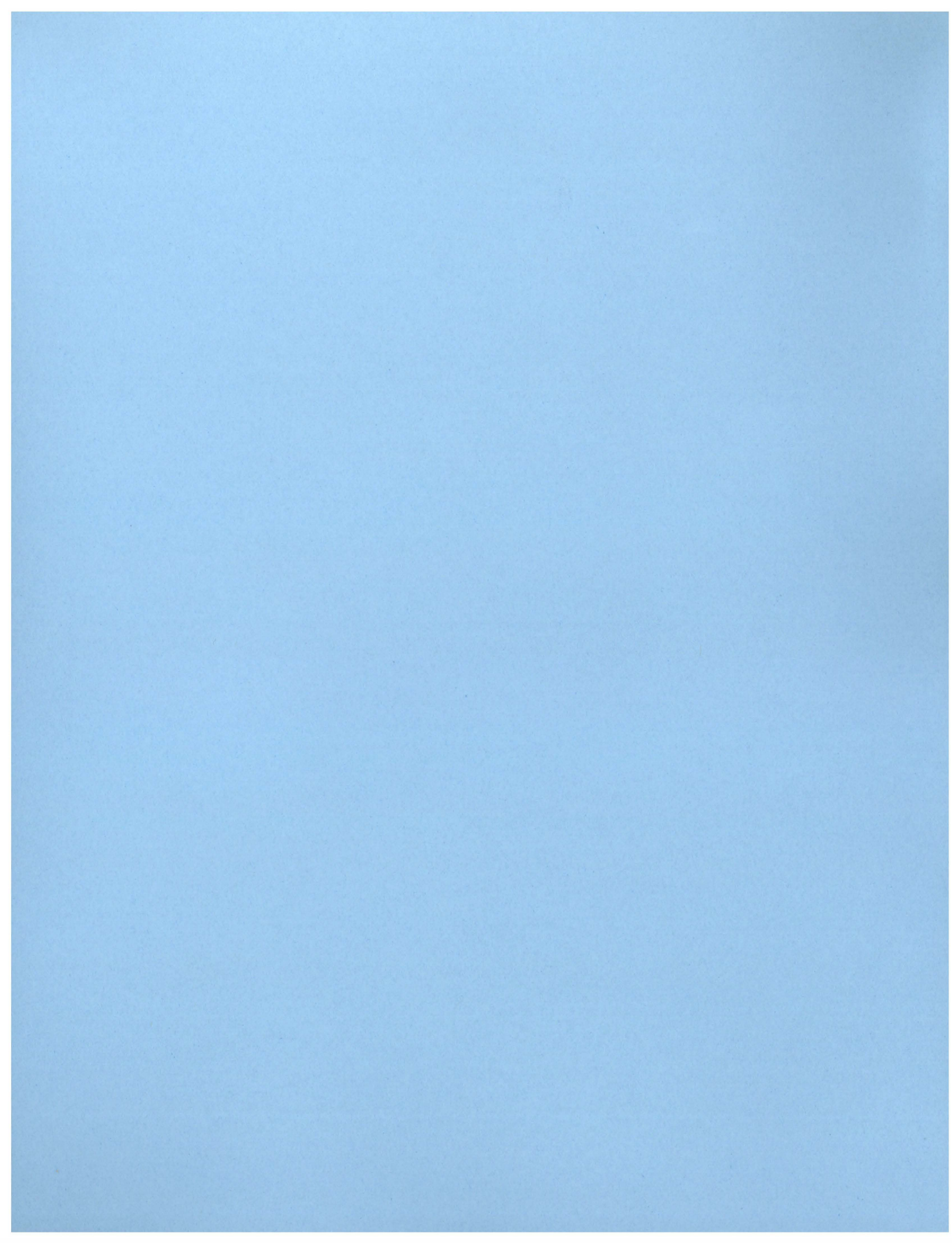
FOR MR JOHN SMITH STOP 1965 BOP CANNOT

BE MAILED NOW DUE TO LACK THREE MAIN ITEMS IT WILL BE SENT IN TWO  
WEEKS MARKAZBANK



77228

*noted  
9.7.*



*Bank Markazi Iran*  
(The Central Bank of Iran)

VYS/35  
~~AB~~  
JA  
~~OJ~~  
UD

*Tehran*, February 19, 1966

CABLES : MARKAZBANK

Dear Mr. Smith:

Following our letter of September 27, 1965, I take pleasure in forwarding you a copy of our balance of payments statement for 1343 recently published in the Bank Markazi Iran Bulletin (No. 22 December 1965).

As you will notice, in addition to some minor corrections, the following revisions have been made:

1. Customs returns have been used for Oil Consortium imports.
2. The \$40 million special payment to Iran by the Oil Consortium, under the OPEC agreement has been treated as new Consortium investment in Iran.
3. The credit entry for item 14.3, suppliers' credits, has been revised from \$4.7 million (Army drawing) to \$18.7 million covering drawings by all government agencies.

As a result, the net errors and omissions for 1343 have been reduced to a \$2.6 million debit.

? | We should also advise that the figures for Oil Consortium investments in Iran directly obtained from them relate to the calendar years (1964 for 1343), not Iranian years. The Consortium are not in a position to supply us with the figures for the Iranian years.

Sincerely yours,

*C. Towfiq*

Dr. C. Towfiq,  
Deputy Director,  
Research Department

Mr. John S. Smith,  
Chief, Balance of Payments Division,  
International Monetary Fund,  
Washington D.C. 20431.

It should also be noted that the figures for Oil Consortium investments in Iran directly obtained from them relate to the calendar years (1954-55), not financial years. The Consortium are not in a position to deal with the figures for the financial years.

Sincerely yours,

Director  
Office of the Director  
Central Intelligence Agency

Office of Payments Systems  
Department of Treasury  
Washington, D.C. 20531

RECEIVED  
INFORMATION  
AND RECORDS  
DIVISION  
FEB 23 4 20 PM '66  
COMMUNICATIONS  
DIVISION

## BALANCE OF PAYMENTS OF IRAN

### FOR THE YEARS 1341 - 1343

The balance of payments summary for the years 1341 to 1343 is given on the next two pages. This statement has been prepared in accordance with the International Monetary Fund Manual; it shows all economic transactions of Iran with foreigners and therefore includes barter transactions as well as transactions involving exchange of foreign or national currency. Some of the data previously given for the years 1341 and 1342 have been revised.

The entries for merchandise trade are based mainly on Custom Statistics while those for services and capital account are derived from exchange records. However, a few adjustments have been made for exports and travel accounts.

The figures have been converted into US dollars, the par being US \$1=Rls. 75.00 for exports and US \$1=Rls. 76.50 for imports.

The table treats the Oil Consortium as a resident of Iran; it covers their transactions related to the production and export of oil from this country. Direct information regarding new investment by the Consortium in Iran has been used in the table and errors and omissions related to the Consortium's account influence the "Net errors and omissions" figures.

Details of the items in Table A are given in the following pages. All amounts are expressed in millions of US dollars.

**TABLE A**  
**CURRENT AND CAPITAL TRANSACTIONS**

\$ millions

	1341		1342		1343	
	Credit	Debit	Credit	Debit	Credit	Debit
<b>A. Goods and Services</b>	<u>997.7</u>	<u>1,011.5</u>	<u>1,095.2</u>	<u>1,043.0</u>	<u>1,219.9</u>	<u>1,341.5</u>
× 1. Merchandise	935.9	542.3	1,035.3	508.5	1,151.1	736.2
× 1.1 Oil sector	811.2	82.1	897.1	36.3	998.0	69.5
× 1.2 Other	124.7	460.2	138.2	472.2	153.1	666.7
2. Non-monetary gold	—	0.4	—	0.2	—	0.4
3. Freight and merchandise insurance	1.5	—	1.0	—	1.0	—
4. Other transportation	5.7	6.8	4.9	8.3	6.8	9.6
4.1 Passenger fares	4.8	5.1	3.9	7.0	6.1	7.1
4.2 Time charters	—	1.7	—	1.3	—	2.5
4.3 Bunker fuel	0.9	—	1.0	—	0.7	—
5. Travel	7.0	32.5	8.0	40.0	14.0	48.0
6. Investment income	2.2	356.5	3.1	404.1	2.7	458.7
6.1 Oil Consortium	—	342.2	—	388.0	—	440.2
6.2 Other	2.2	14.3	3.1	16.1	2.7	18.5
7. Government, not included elsewhere	26.0	34.5	22.6	40.3	18.5	46.0
8. Other services	19.4	38.5	20.3	41.6	25.8	42.6
8.1 Oil Consortium	—	21.6	—	20.5	—	21.8
8.2 Other	19.4	16.9	20.3	21.1	25.8	20.8
Net goods and services	—	13.8	52.2	—	—	121.6
Trade balance (1 and 2)	393.2	—	526.6	—	414.5	—
Net services	—	407.0	—	474.4	—	536.1
<b>B. Transfer Payments</b>	<u>22.3</u>	<u>0.1</u>	<u>17.0</u>	<u>0.1</u>	<u>12.5</u>	<u>0.1</u>
9. Private	6.0	0.1	1.1	0.1	1.1	0.1
10. Central government	16.3	—	15.9	—	11.4	—
Net total (1 through 9)	—	7.9	53.2	—	—	120.6
Net total (1 through 10)	8.4	—	69.1	—	—	109.2

TABLE A (continued)

	1341		1342		1343	
	Credit	Debit	Credit	Debit	Credit	Debit
<b>C. Capital and Monetary Gold</b>	99.3	103.7	88.7	109.3	322.6	210.8
X 11. Private long-term capital	16.0	—	48.4	—	263.5	—
X Direct investment	16.0	—	48.4	—	263.5	—
X 11.1 Oil sector	13.9	—	44.2	—	261.9	—
11.2 Other	2.1	—	4.2	—	1.6	—
12. Other private long-term	0.2	0.1	1.0	0.4	1.0	—
13. Private short-term	—	1.0	—	—	—	—
13.1 Changes in dollar assets	—	1.0	—	—	—	—
X 14. Central government	63.2	55.2	19.1	65.0	34.1	74.7
X 14.1 Long-term loans	59.2	35.1	19.1	31.8	12.8	36.1
14.2 US Government rial holdings	4.0	—	—	6.0	2.6	—
X 14.3 Suppliers' credits	—	19.2	—	26.3	18.7	38.5
14.4 Subscription to non-mone- tary international organiza- tions	—	0.9	—	0.9	—	0.1
15. Central monetary institutions	0.8	47.4	14.5	26.8	17.8	121.9
15.1 IMF rial holdings	—	20.5	—	—	17.5	—
15.2 IBRD and IDA rial holdings	0.8	—	0.8	0.1	—	—
15.3 Marketable assets	—	7.2	7.1	—	—	1.0
15.4 Exchange deposits	—	15.4	—	10.9	—	118.7
15.5 Other short-term assets and liabilities	—	4.2	6.6	3.5	—	2.2
15.6 Gold	—	0.1	—	12.3	0.3	—
16. Other monetary institutions	19.1	—	5.7	17.1	6.2	14.2
item 17 16.1 Marketable assets	—	—	—	6.0	—	6.3
item 17 16.2 Exchange deposits	13.2	—	—	11.0	6.2	—
item 16 16.3 Rial deposits	5.4	—	5.7	—	—	7.9 ✓
item 17 16.4 Gold (Bank Melli Iran)	0.5	—	—	0.1	—	—
Net errors and omissions	—	4.0	—	48.5	—	2.6



NOTES TO TABLE A

1. Merchandise

Export figures are based on trade returns with valuation adjustments for non-oil exports in 1341 and 1342. Import

figures are also derived from trade returns. Details of the entries are given in the table below: are given in the table below:

TABLE 1  
MERCHANDISE ACCOUNT

	1341	1342	1343
<b>EXPORTS</b>			
Exports, FOB, from trade returns:			
✗ Oil	811.2 ✓	897.1 ✓	998.0 ✓
✗ Other than oil	114.7	128.2	153.1
Valuation adjustment for non-oil goods	10.0	10.0	—
	935.9	1,035.3	1,151.1
<b>IMPORTS</b>			
Imports, CIF:			
By oil companies:			
✗ Oil Consortium	68.3	26.2	52.4
National Iranian Oil Company	4.7	4.2	10.5
✗ Others	9.1	5.9	6.6 ✓
	82.1 ✓	36.3 ✓	69.5
By other than oil companies, from trade returns	465.7	477.2	672.8
Coverage adjustment for shipments to foreign diplomatic missions	—5.5	—5.0	—6.1
	460.2	472.2	666.7

2. Non-monetary gold

The entries show sales of gold coin to the public by Bank Melli Iran.

3. Freight and merchandise insurance

The credit entries cover insurance claims received for lost or damaged im-

ports. No debit items are shown as freight and insurance on imports are included in item 1, debit.

4. Other transportation

The credit entries cover passenger fares received by Iranian carriers (line

4.1) and sales of bunker fuel to foreigners by the National Iranian Oil Company (line 4.3). The debit entries cover passenger fares paid to foreign airlines in foreign exchange sold by the authorized banks (line 4.1) and payments for charter hire (line 4.2).

#### 5. Travel

The credit entries show estimates of foreign travellers' expenditures in Iran. The debit entries are also estimates of expenditures of Iranians travelling abroad including those of students.

#### 6. Investment income

**6.1 Oil Consortium:** Investment income paid to foreigners by the Oil Consortium is assumed to be equal to income tax payments by the Consortium to the

Iranian government since, by agreement, the government and the Consortium share equally in the profits from production and refining operations in Iran. The entry for 1343, however, excludes special payments to Iran under OPEC agreement (40.0).

**6.2 Other:** The credit entries show interest received by the Bank Markazi and Bank Melli Iran. The debit entries cover interest on long-term official loans (14.3 for 1341, 15.9 for 1342 and 18.2 for 1343), charges on IMF drawings (0.1 for 1343) and interest on IBRD and US loans to the private sector.

#### 7. Government, not included elsewhere

Details of the entries are shown below:

**TABLE 2**  
**GOVERNMENT ACCOUNT**

	1341	1342	1343
<b>RECEIPTS</b>			
Foreign diplomatic expenditures in Iran	20.4	14.8	9.8
Iranian government receipts from abroad	5.6	7.8	8.7
	26.0	22.6	18.5
<b>PAYMENTS</b>			
Diplomatic expenditures abroad by Iran	6.0	7.0	8.3
Purchases of services by Plan Organization	16.6	18.1	11.5
Other expenditures by Iranian government	6.0	9.0	18.9
Technical assistance services financed by:			
United Nations	2.2	3.5	4.0
US government	3.7	2.7	3.3
	34.5	40.3	46.0

#### 8. Other services

**8.1 Oil Consortium:** The entries show purchases of services by the Oil Consortium for operations in Iran as reported by themselves.

**8.2 Other:** The entries are based on

the exchange record. The debit entries include foreign exchange expenditure (other than those for merchandise imports and travel) of the National Iranian Oil Company (7.6 for 1341, 16.3 for 1342 and 13.8 for 1343).

#### 9. Private transfer payments

The entries cover estimated private donations in kind, and aid received from the CARE organization in the United States.

#### 10. Central government transfer payments

The entries cover US technical assistance grants (4.4 for 1341, 3.7 for 1342 and 3.3 for 1343) other US grants (8.5 for

1341, 8.7 for 1342 and 4.1 for 1343), and UN technical assistance grants (3.4 for 1341, 3.5 for 1342 and 4.0 for 1343). Technical assistance grants are partly in the form of imports and partly in the form of services.

#### 11. Private long-term capital

*11.1 Oil sector investment:* The entries cover changes in investment by the foreign oil companies as shown below:

**TABLE 3**  
**OIL SECTOR INVESTMENT**

	<i>million per year</i>		
	1341	1342	1343
Oil Consortium new investment (after deduction of \$18.8/depreciation charges) as reported by themselves	14.3	36.7	31.4
Repayment of advance previously granted to the Treasury General	-14.0	—	—
Special payments to Iran under OPEC agreement	—	—	40.0
Other oil companies	13.6	7.5	190.5
	13.9	44.2	261.9

*11.2. Other direct investment:* The figures show increases in investment by industrial companies.

debit entries cover repayments of IBRD, IFC and AID loans to the private sector.

#### 12. Other private long-term capital

Credit entries show drawings on and

#### 14. Central government

*14.1. Long-term loans:* Details of this account are given in the table below:

**TABLE 4**  
**LONG-TERM LOANS**

	1341	1342	1343
Drawings from:			
IBRD (for Plan Organization)	33.3	5.3	1.5
Germany (for Plan Organization)	4.5	3.8	6.0
US Government:			
DLF loans (for Plan Organization)	16.5	4.7	1.3
Loans in Iranian rials	4.9	5.3	4.0
	59.2	19.1	12.8
Repayments to:			
IBRD	14.6	5.0	5.3
United Kingdom			
British Petroleum Co. (Compensation)	7.0	7.0	7.0
US Government			
Export-Import Bank	10.4	12.1	11.4
DLF loans	3.1	7.7	12.4
	35.1	31.8	36.1

**14.2. U S Government rial holdings:** The entries cover changes in rial deposit liabilities to the US Government resulting from purchases (credit) of US surplus agricultural commodities with rials and from the use (debit) of the sales proceeds for US Government expenditures.

**14.3. Suppliers' credit:** The entries show drawings on and repayments of foreign suppliers' credits to official entities and Ministry of War.

**15. Central monetary institutions**

**15.1 IMF rial holdings:** The debit entry for 1341 shows a repurchase and the credit entry for 1343 a purchase of foreign exchange from the International Monetary Fund.

**15.2 IBRD and IDA rial holdings:** The credit entries show increases in

Iran's liabilities resulting from the payment of rial subscriptions to the IBRD and IDA. The subscriptions themselves are entered as debits in item 14.4. The debit entry for 1342 shows decreases in Iran's liabilities to the IBRD resulting from loan disbursements by the IBRD to other countries out of its holdings of Iranian rials.

**15.5.** The entries show changes in bilateral balances (debits of 0.8 for 1341, 3.5 for 1342 and 2.2 for 1343) and balance of trade with the USSR.

**Net errors and omissions**

Some errors and omissions in 1342 may be attributed to the settlement of foreign suppliers' credits by private sector for which direct information is not available, as well as accumulation of foreign holdings by the private sector in taht year.

## THE CENTRAL BANK CIRCULARS ON FOREIGN EXCHANGE

Addressed to All Authorized Banks

### EXCHANGE CONTROL AND FOREIGN DEPARTMENT CIRCULARS

#### REPAYMENT OF Rls. 1.50 PER 1 US DOLLAR COLLECTED FOR REGISTRATION OF ORDERS FOR IMPORTS

No. Ex/24469/19

Aban 25, 1344

As you are aware, in accordance with paragraph 2 of circular No. Ex/12590/16\* of Amordad 12, 1344 when applying for registration, whether against letter of credit or documentary bill for collectoin, importers are bound to pay, through the authorized bank, a sum of Rls. 1.50 in respect of each dollar of the amount of the order (or its equivalent in other currencies) to Bank Markazi Iran so that the amount may be refunded to the importer through the outhorized bank after clearance of the relative goods through customs and examination of the Customs Import Permit.

To obtain this aim and facilitate the refund of above amounts you are permitted:-

1. Should importers holding original copy of the relative Customs Import Permit call on you for collection of the relative amounts within a period of three months from date of taking over the documents from the authorized bank, you may refund the amount by observing the following points:-

a) On receipt of the permit and while checking it you should ensure that the Customs Tariff number as well as value and nature of goods mentioned in the Customs Import Permit agree with those mentioned in the relative documents.

b) When refunding the amounts of Rls. 1.50 per dollar collected against registration of orders in the above manner, a copy or photo copy of the permit should be taken from the importer and filed on the relative file, and the original copy of the form should be endorsed accordingly and returned to the importer.

c) It is understood that if the permit is presented after a period of three months from date of release of documents or if the number of Customs Tariff and value and nature of goods do not agree with those mentioned in the relative documents, the refund of the advance deposit requirement for registration of orders should be withheld and you should advise us accordingly and mention the importer's explanations, so that further verification may be made.

d) In cases where registration of an order is cancelled by the importer or the amount of the registration of order is decreased and consequently no goods will be shipped against the amounts cancelled or decreased, there would be no objection to the refund of the sums of Rls. 1.50 in respect of the cancelled or decreased order.

2. Please send us every day a statement of amounts refunded by you in the above manner, giving name of the importer, number of his commercial card, date of registration of the order, number of the Customs Import Permit and name of the Customs Department concerned to the Exchange Control and Foreign Department of this Bank in order that we may cancel the undertaking which the importer has lodged with us in this connection through your bank.

3. To check and make the balances of your accounts in connection with the sums collected against registration of orders (Rls. 10, Rls. 30 and Rls. 75 which are credited to Account No. 10042 in the books of Transactions Department of this Bank and Rls. 1.50 per dollar which are credited to Account No. 10048 in our books) agree with our accounts, we shall be obliged if you will let us know the balances of the relative accounts in your book as at the end of Mehr 1344. As from the above date thereafter, please let us know by means of a letter in the first week of each month the balances as at the end of the previous month.

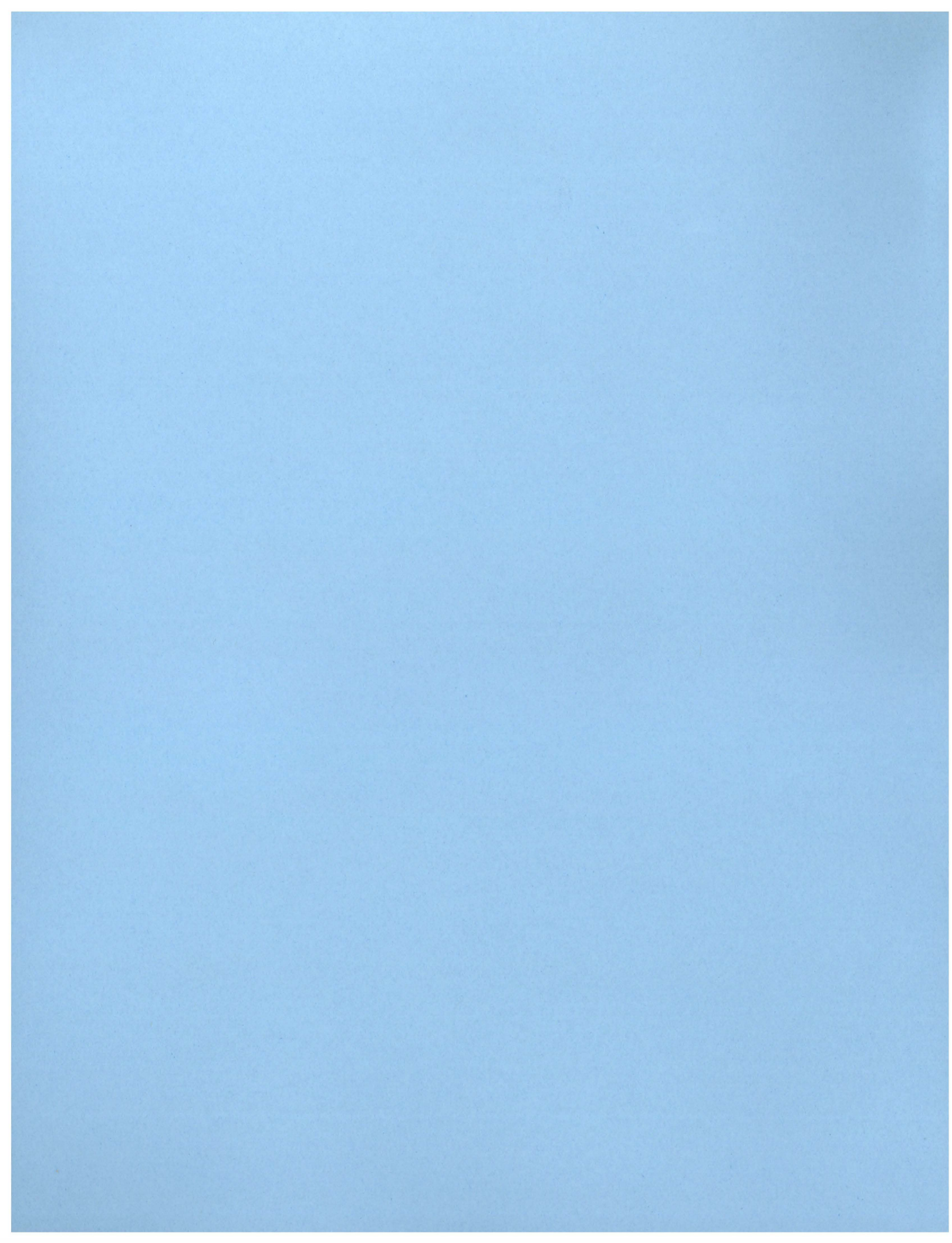
4. You can set off the amounts which you are collecting daily from your customers for credit of our Account No. 10048 against the amounts which you should collect every day from Bank Markazi Iran and refund to importers in accordance with the method mentioned in paragraph 11 of circular No. Ex/16932/39\*\* dated Shahrivar 31, 1343 in respect of Account No. 10042, and pay to or receive from Bank Markazi Iran the balance.

5. In view of the fact that documents covering imports of books and publications are in most cases not accompanied by a Bill of Lading, to facilitate the registration of orders for these consignments, we agree to your collecting the Rls. 1.50 per dollar from the importer for registration of his order at the time you receive the relative documents from your correspondent.

It is understood that if the importer has not paid the required amounts to you for registration

\* Consult Bulletin No. 20, pp. 232-235.

\*\* Refer to Bulletin No. 14, p. 243.



March 7, 1966

Dear Dr. Abadian:

Attached to this letter is a brief reminder about the Fund's annual request for preliminary balance of payments data for 1965 that was sent to you in May 1965. I should be most grateful for your cooperation in filing your report not later than April 1.

Sincerely yours,

John S. Smith  
Chief  
Balance of Payments Division

Attachment

Dr. Bahman Abadian  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

INTERNATIONAL MONETARY FUND'S REQUEST  
FOR PRELIMINARY 1965 BALANCE OF PAYMENTS DATA

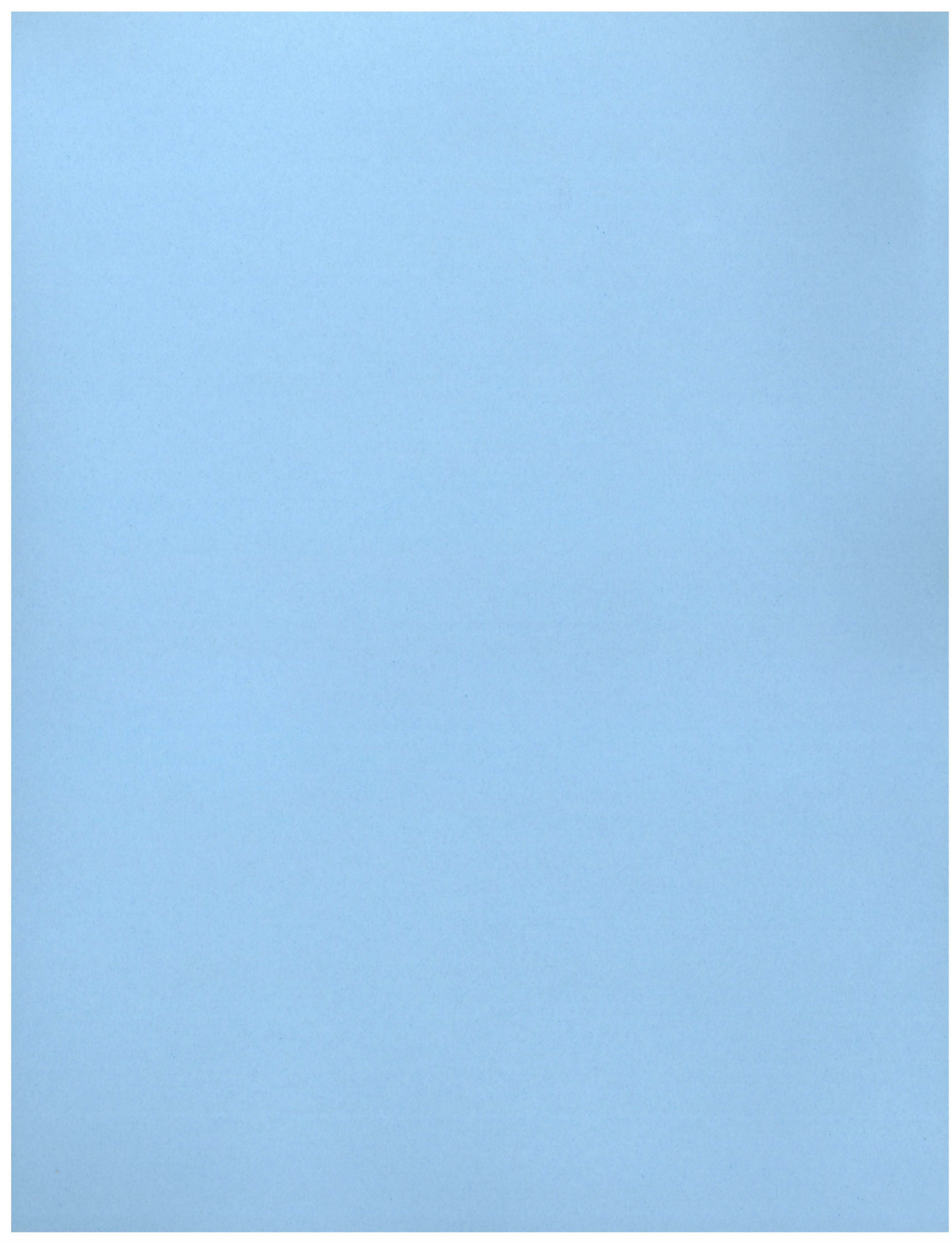
In the time schedule given in the Fund's annual request for balance of payments data, sent out on May 1, 1965, the date given for submission of your preliminary 1965 report is April 1, 1966. These preliminary 1965 data will be used for drafting the section of the Fund's 1966 Annual Report on international payments relationships in 1965, and since drafting of the Annual Report begins in April, it is important that the Fund receives these data by that time. A preliminary statement showing rough estimates or even omitting certain items is acceptable when more refined information is not available; however, the report should at least cover data for the following broad categories of transactions:

1. Exports
2. Imports
3. Balance on services and private transfer payments
4. Private long-term capital (including long-term bank capital), showing separately, if available, assets and liabilities and specifying significant types of transactions (e.g., direct investment)
5. Private short-term capital (excluding item 7 below)
6. Official transfer payments and capital, excluding item 8 below
7. Commercial bank short-term assets and liabilities
8. Official reserves, including net IMF positions
9. Net errors and omissions

The reports should include, if possible, explanatory notes about unusual transactions that were particularly significant and should point out weaknesses in the provisional estimates that might seriously affect their comparability with the figures you have reported for earlier years.

The Fund would appreciate being notified immediately about any delay you can foresee in providing your report. If you will not be able to meet the April 1 deadline, please let us know the date on which we may expect to receive your statement.





March 3, 1966

Dear Dr. Abadian:

Thank you for Dr. Towfiq's letter of February 19, which enclosed the official balance of payments statistics for the Iranian years 1341-43. We shall use this information to revise the draft of the Iranian pages for our seventeenth Balance of Payments Yearbook. A draft had already been prepared on the basis of the reports accompanying your letter of September 27, 1965.

In the near future, we shall forward you a copy of the draft to enable you to give us your comments and suggestions before we send it to the printer for publication in our Yearbook.

Sincerely yours,

John S. Smith  
Chief  
Balance of Payments Division

Dr. Bahman Abadian  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY

October 20, 1965

MEMORANDUM FOR FILES

Subject: Meetings with Mr. Ashraf Mazhari of the Central Bank of Iran, October 14 and 15, 1965

Mr. Arie Bouter and I had two meetings with Mr. Mazhari, who had attended the 1965 course on balance of payments methodology at the IMF Institute, to discuss, on the basis of the Iranian report of September 27, some reporting problems and to find ways and means of improving the balance of payments statistics of Iran.

We discussed the special payment \$40.0 million received by Iran from the oil consortium under OPEC negotiations. Apparently in the report for solar year 1343, that amount was included in the changes for monetary reserves, but no offsetting entry had been made elsewhere in the balance of payments. Mr. Bouter proposed that the offset be made in item 11.1 (Oil consortium direct investment) of the Iranian section of our Yearbook. The 1343 entry for that item should be \$71.4 million instead of \$31.4 million as shown in the Iranian report. Mr. Mazhari agreed with the treatment suggested by Mr. Bouter.

We also discussed the depreciation charges used by the oil consortium in calculating its direct investment. Mr. Mazhari did not know whether the deduction of \$18.8 million was a constant charge used by the oil consortium for each of the solar years 1341-43 or only for 1343 but promised to look into the matter and give us the correct information.

*disregard*

We touched briefly on the entries for the transactions of other oil companies (other than those of the oil consortium) which started to export oil in the solar year 1343.

We pointed out that the entries shown in the balance of payments for that year are incomplete, and Mr. Mazhari promised to supply us with information on receipts (exports) and payments (imports of goods and services, tax payments, investment income, and rial expenditures) of these companies.

We dwelled, rather at length, on the entries for suppliers' credit. Mr. Mazhari explained that, given the recording system of credits opened and settled and bills received and settled now followed by the Central Bank, it is not possible, at the present, to establish what portion of imports is financed by foreign trade credits in any given year. On the other hand, information on payments for government imports financed by trade credits is available to the Central Bank of Iran; this information is shown in item 14.3 of the Iranian balance of payments report. These decreases in government liabilities should be eliminated from the balance of payments statement until Iran is able to report data on increases in these same liabilities.

Umberto Dell'Anno  
Economist  
Balance of Payments Division

*UD*

October 8, 1965

Dear Mr. Towfiq:

I am writing to thank you for your letter of September 27 (Ref. No. 2861), which enclosed the balance of payments statements for the solar year 1343 and revised figures for solar years 1341 and 1342.

We note that you have changed the statistical basis for estimating the oil consortium's transactions for those three years, and we should like to know whether comparable information is available for solar years 1336-1340 and for the standard years 1963 and 1964. We should also find it most useful to know in detail how the oil companies now derive the figures for changes in direct investment; it would help us in studying your reports and in preparing the descriptive notes on the figures when, in the near future, we prepare the draft for the Iran section of our seventeenth Yearbook.

May I also ask you to let us have some details about the drawings and repayments on foreign loans that are shown in items 4.6 and 4.7 of Table XI (Private Long-Term Foreign Assets and Liabilities) of your 1964 report. The type of information we want is shown by the Supplement to Table XI, which formed part of our annual request this year; two copies of this supplementary table are enclosed for your convenience.

Finally, I wish to thank you for the special report to the UN on the international flow of long-term capital. We have passed your report on to that organization.

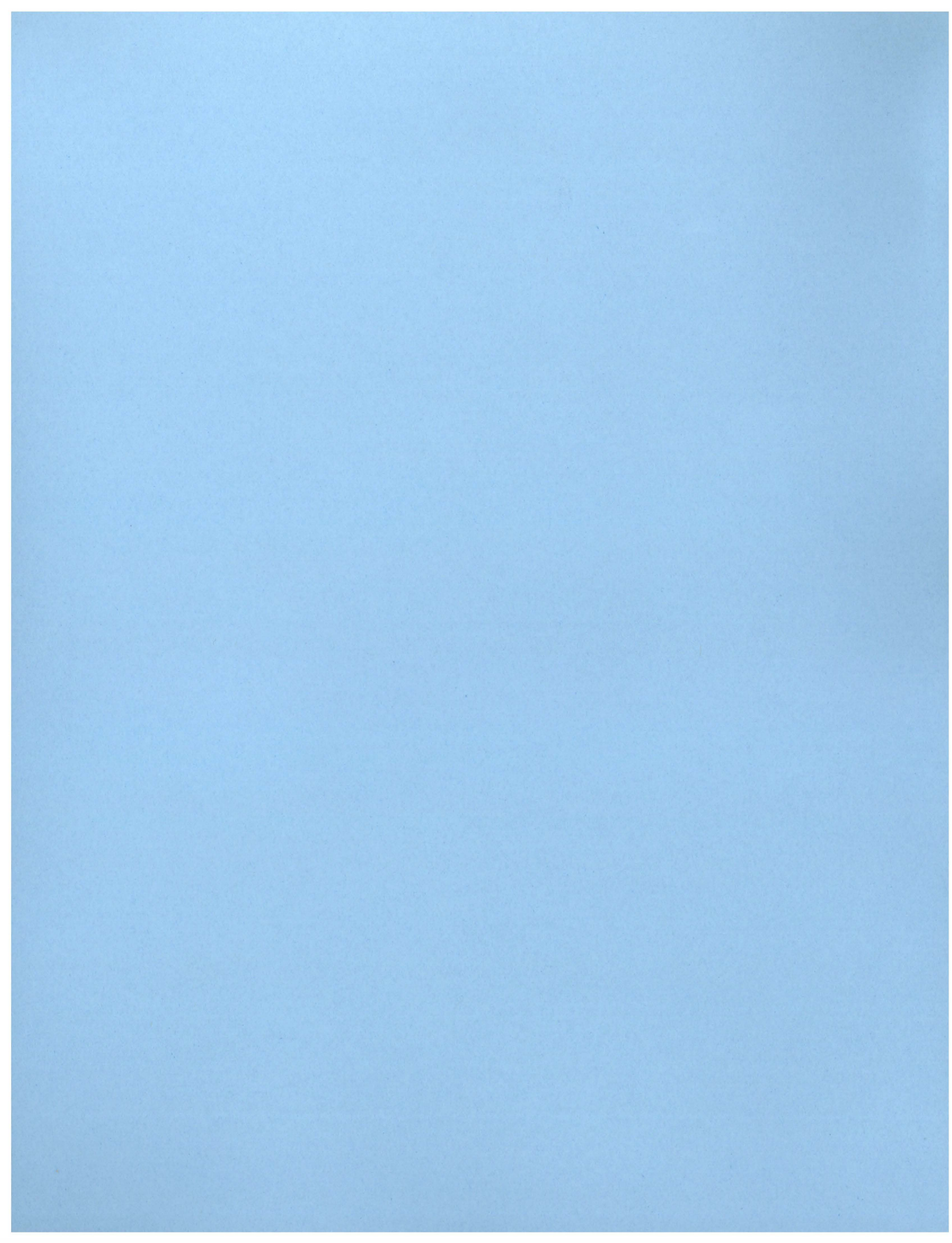
Sincerely yours,

John S. Smith  
Chief  
Balance of Payments Division

Enclosures

Dr. Bahman Abadian  
Director, Research Department  
Bank Markazi Iran  
Teheran, Iran

SUBJECT COPY



*Bank Markazi Iran*  
(The Central Bank of Iran)

CABLES: MARKAZBANK

Tehran, September 27, 1965

No 2861

Dear Mr. Smith:

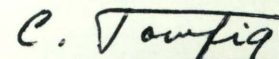
I have the pleasure to forward you a copy of our balance of payments for the years beginning March 21, 1962-1964. The data for the first two years have been revised while those for the last is only a first draft.

As you will note, the data used in the statement have been compiled from trade returns, exchange records and other official sources. They were adjusted only where absolutely necessary; all figures for oil exports are as they appear in trade returns.

We have also discontinued in this statement to estimate oil consortium new investment in Iran through a method originally suggested by the Fund. Direct information in this respect has been used; errors and omissions relating to the consortium's account have thus been transferred to "Net errors and omissions" figures. Please note that according to the latest official information, Iran's oil income from the consortium in the year beginning March 21, 1964 (Iranian year 1343) amounted to \$480.2 million, out of which \$40.0 million were special payments under the new OPEC agreements. Purchases of exchange from the consortium amounted to \$77.3 million.

You will also find enclosed the completed BOP forms you sent us. The special report to the United Nations on the international flow of long-term capital for 1343 is also enclosed.

Sincerely yours,



Cyrus Towfiq

Deputy Director, Research Dept.  
Bank Markazi Iran

Mr. John S. Smith,  
Chief, Balance of Payments Division  
International Monetary Fund  
Washington D.C. 20431

*Bank of America*  
*Mr. [Name]*

September 27, 1965

COMMUNICATIONS

Dear Mr. [Name]:

I have the pleasure to forward you a copy of our balance of payments for the year beginning March 31, 1963-1964. The data for the first two years have been revised while those for the last is only a first draft.

As you will note, the data used in the statement have been compiled from trade returns, exchange records and other official sources. They were adjusted only where absolutely necessary; all figures for oil exports are as they appear in trade returns.

We have also discontinued in this statement to estimate oil consortium new investment in Iran through a method originally suggested by the I.M.F. Direct information in this respect has been used; errors and omissions relating to the consortium's account have been transferred to "net errors and omissions" figures. Please note that according to the latest official information, Iran's 1964 income from the consortium in the year beginning March 31, 1964 (Iranian year 1343) amounted to \$182.3 million out of which \$48.0 million were special payments under the new 1962 agreement. Purchases of oil from the consortium amounted to \$17.3 million.

You will also find enclosed the completed IMF form you sent us. The special report to the United Nations on the international flow of long-term capital for 1963 is also enclosed.

Sincerely yours,

*[Signature]*

Very truly yours,

Deputy Director, Research Dept.  
Bank of America

COMMUNICATIONS DIVISION  
SEP 29 5 05 PM '65  
RECEIVED  
INTERNATIONAL MONETARY FUND

BANK MARKAZI IRAN  
Research Department

Tehran, 26 September 1965

BALANCE OF PAYMENTS OF IRAN

1341 - 1343

(Years beginning March 21, 1962 - 1964)

The balance of payments summary for the years 1341 to 1343 is given on the next two pages. This statement has been prepared in accordance with the International Monetary Fund Manual; it shows all economic transactions of Iran with foreigners and therefore includes barter transactions as well as transactions involving exchange of foreign or national currency. Some of the data previously given for the years 1341 and 1342 have been revised.

The entries for merchandise trade are based mainly on Customs statistics while those for services and capital account are derived from exchange records. However, a few adjustments have been made for exports and travel accounts. The figures have been converted into U.S. dollars, the par being U.S. \$1=Rials 75.00 for exports and U.S. \$1=Rials 76.50 for imports.

The table treats the oil consortium as a resident of Iran; it covers their transactions related to the production and export of oil from this Country. Direct information regarding new investment by the consortium in Iran has been used in the table and errors and omissions related to the consortium's account influence the "Net errors and omissions" figures.

Details of the items in table A are given in pages 4 to ~~3~~<sup>8</sup>. All amounts are expressed in millions of U.S. dollars.



BALANCE OF PAYMENTS OF IRAN, 1341 TO 1343

TABLE A, CURRENT AND CAPITAL TRANSACTIONS

(Figures in millions of U.S. dollars)

	1341		1342		1343	
	Credit	Debit	Credit	Debit	Credit	Debit
<u>A. Goods and Services</u>	<u>997.8</u>	<u>1,011.5</u>	<u>1,095.3</u>	<u>1,042.5</u>	<u>1,219.9</u>	<u>1,340.7</u>
1. Merchandise	936.0	542.3	1,035.4	508.0	1,151.1	736.2
1.1 Oil sector	811.2	61.4	896.6	43.7	998.0	60.9
1.2 Other	124.8	480.9	138.8	464.3	153.1	675.3
2. Nonmonetary gold	-	0.4	-	0.2	-	0.4
3. Freight and merchandise insurance	1.5	-	1.0	-	1.0 ✓	-
4. Other transportation	5.7 ✓	6.8 ✓	4.9 ✓	8.3 ✓	6.8 ✓	9.6 ✓ ✓
4.1 Passenger fares	4.8 ✓	5.1 ✓	3.9 ✓	7.0 ✓	6.1 ✓	7.1 ✓ ✓
4.2 Time charters	-	1.7 ✓	-	1.3 ✓	-	2.5 ✓ ✓
4.3 Bunker fuel	0.9 ✓	-	1.0 ✓	-	0.7 ✓	-
5. Travel	7.0	32.5	8.0	40.0	14.0 ✓	48.0 ✓
6. Investment income	2.2	356.5	3.1	404.1	2.7	457.9
6.1 Oil Consortium	-	342.2	-	388.0	-	440.2 ✓
6.2 Other	2.2	14.3	3.1	16.1	2.7	17.7
7. Government, not included elsewhere	26.0	34.5	22.6	40.3	18.5 ✓	46.0
8. Other services	19.4	38.5	20.3	41.6	25.8 ✓	42.6
8.1 Oil Consortium	-	21.6	-	20.5	-	21.8
8.2 Other	19.4	16.9	20.3	21.1	25.8	20.8
Net goods and services	-	13.7	52.8	-	-	120.8
Trade balance (1 and 2)	393.3	-	527.2	-	414.5	-
Net services	-	407.0	-	474.4	-	535.3
<u>B. Transfer Payments</u>	<u>22.3</u>	<u>0.1</u>	<u>17.0</u>	<u>0.1</u>	<u>12.5</u>	<u>0.1</u>
9. Private	6.0	0.1	1.1	0.1	1.1	0.1
10. Central government	16.3	-	15.9	-	11.4	-
Net total (1 through 9)	-	7.8	53.8	-	-	119.8
Net total (1 through 10)	8.5	-	69.7	-	-	108.4

	1341		1342		1343	
	Credit	Debit	Credit	Debit	Credit	Debit
<u>C. Capital and Monetary Gold</u>	<u>99.3</u>	<u>103.7</u>	<u>88.7</u>	<u>109.3</u>	<u>268.6</u>	<u>210.1</u>
11. Private long-term capital	16.0	-	48.4	-	223.5	-
Direct investment	16.0	-	48.4	-	223.5	-
11.1 Oil sector	13.9	-	44.2	-	221.9	-
11.2 Other	2.1 + 13.6 <u>15.7</u>	-	4.2 7.5 <u>11.7</u>	-	1.6 190.5 <u>192.1</u>	-
12. Other private long-term	0.2	0.1	1.0	0.4	1.0	-
13. Private short-term	-	1.0	-	-	-	-
13.1 Changes in dollar assets	-	1.0	-	-	-	-
14. Central government	63.2	55.2	19.1	65.0	20.1	74.0
14.1 Long-term loans	59.2	35.1	19.1	31.8	12.8	35.4
14.2 U.S. Government Rials holdings	4.0	-	-	6.0	2.6	-
14.3 Suppliers' credits	-	19.2	-	26.3	4.7	38.5
14.4 Subscription to non- monetary international organizations	-	0.9	-	0.9	-	0.19
15. Central monetary institutions	0.8	47.4	14.5	26.8	17.8	121.9
15.1 IMF rial holdings ✓	-	20.5	-	-	17.5	-
15.2 IBRD and IDA rial ✓ holdings	0.8	-	0.8 ✓	0.1 ✓	0.8	-
15.3 Marketable assets ✓	-	7.2	7.1 ✓	-	-	1.0
15.4 Exchange deposits	-	15.4	-	10.9	-	118.7
15.5 Other short-term assets ✓ and liabilities	-	4.2	6.6 ✓	3.5 ✓	-	2.2
15.6 Gold	-	0.1	-	12.3	0.3	-
16. Other monetary institutions	19.1	-	5.7	17.1	6.2	14.2
16.1 Marketable assets	-	-	-	6.0	-	6.3
16.2 Exchange deposits	13.2	-	-	11.0	6.2	-
16.3 Rial deposits	5.4	-	5.7	-	-	7.9
16.4 Gold (BMI)	0.5	-	-	0.1	-	-
Net errors and omissions	-	4.1	-	49.1	49.9	-

NOTES TO TABLE A

1. Merchandise. Export figures are based on trade returns with valuation adjustments for non-oil exports in 1341 and 1342. Import figures are also derived from trade returns with the exception of imports by the consortium. Details of the entries are given in the table below:

Table 1, Merchandise account

	<u>EXPORTS</u>		
	<u>1341</u>	<u>1342</u>	<u>1343</u>
Exports, f.o.b., from trade returns:			
Oil	811.2	896.6	998.0
Other than oil	114.8	128.8	153.1
Valuation adjustment for non-oil goods	<u>10.0</u>	<u>10.0</u>	<u>-</u>
	936.0	1,035.4	1,151.1
	 <u>IMPORTS</u> 		
Imports, c.i.f.:			
By oil companies:			
Oil consortium	47.6	33.6	45.9
National Iranian Oil Company	4.7	4.2	10.5
Others	9.1	5.9	4.5
	<u>61.4</u>	<u>43.7</u>	<u>60.9</u>
By other than oil companies, from trade returns	<del>480.9</del> 547.8	<del>464.3</del> 513.0	<del>675.3</del> 742.8
Coverage adjustment for shipments to foreign diplomatic missions	-5.5	-5.0	-6.1
	<u>542.3</u>	<u>508.9</u>	<u>736.2</u>

2. Non-monetary gold. The entries show sales of gold coin to the public by Bank Melli Iran.

3. Freight and merchandise insurance. The credit entries cover insurance claims received for lost or damaged imports. No debit items are shown as freight and insurance on imports are included in item 1, debit.

4. Other transportation. The credit entries cover passenger fares received by Iranian carriers (line 4.1) and sales of bunker fuel to foreigners by the National Iranian Oil Company (line 4.3). The debit entries cover passenger fare paid to foreign airlines in foreign exchange sold by the authorized banks (line 4.1) and payments for charter hire (line 4.2).

5. Travel. The credit entries show estimates of foreign travelers' expenditures in Iran. The debit entries are also estimates of Iranians travelling abroad including those of students.

6. Investment income:

6.1 Oil consortium- Investment income paid to foreigners by the oil consortium is assumed to be equal to income tax payments by the consortium to the Iranian Government since, by agreement, the Government and the consortium share equally in the profits from production and refining operations in Iran. The entry for 1343, however, excludes special payments to Iran under CPEC negotiations (40.0).

6.2 Other, The credit entries show interest received by the Bank Markazi and Bank Melli Iran. The debit entries cover interest on long-term official loans (14.3 for 1341, 15.9 for 1342 and 17.4 for 1343), charges on IMF drawings (0.1 for 1343) and interest on IBRD and U.S. loans to the private sector.

7. Government, not included elsewhere. Details of the entries are shown below:

Table 2, Government account.

	<u>1341</u>	<u>1342</u>	<u>1343</u>
<u>Receipts</u>			
Foreign diplomatic expenditures in Iran	20.4	14.8	9.8
Iranian government receipts from abroad	<u>5.6</u>	<u>7.8</u>	<u>8.7</u>
	26.0	22.6	18.5
<u>Payments</u>			
Diplomatic expenditures abroad by Iran	6.0	7.0	8.3
Purchases of services by Plan Organization	16.6	18.1	11.5
Other expenditures by Iranian government	6.0	9.0	18.9
Technical assistance services financed by:			
U.N.	2.2	3.5	4.0
U.S. government	<u>3.7</u>	<u>2.7</u>	<u>3.3</u>
	34.5	40.3	46.0

8. Other services:

8.1 Oil consortium. The entries show purchases of services by the Oil consortium for operations in Iran as reported by themselves.

8.2 Other. The entries are based on the exchange record. The debit entries include foreign exchange expenditure (other than those for merchandise imports and travel) of the National Iranian Oil Company (7.6 for 1341, 16.3 for 1342 and 13.8 for 1343).

9. Private transfer payments. The entries cover private donations in kind, as recorded in the trade returns, and aid received from the CARE organization in the United States (5.0 for 1341, 0.1 for 1342 and 0.1 for 1343).

10. Central government transfer payments. The entries cover U.S. technical assistance grants (4.4 for 1341, 3.7 for 1342 and 3.3 for 1343), other U.S. grants (8.5 for 1341, 8.7 for 1342 and 4.1 for 1343), and UN technical assistance grants (3.4 for 1341, 3.5 for 1342 and 4.0 for 1343). Technical assistance grants are partly in the form of imports and partly in the form of services.

11. Private long-term capital:

11.1 Oil sector investment. The entries cover changes in investment by the foreign oil companies as shown below:

Table 3, Oil sector investment

	<u>1341</u>	<u>1342</u>	<u>1343</u>
Oil consortium new investment (after deduction of \$18.8 depreciation charges) as reported by themselves	14.3	36.7	31.4 + 35.0
Repayment of advance previously granted to the Iranian Treasury	-14.0	-	-
Other oil companies:	<u>13.6</u>	<u>7.5</u>	<u>190.5</u> ✓
	13.9	44.2	221.9

11.2. Other direct investment. The figures show increases in investment by industrial companies.

12. Other private long-term capital. Credit entries show drawings on and debit entries repayments of IBRD, IFC and AID loans to the private sector.

14. Central government:

14.1. Long-term loans. Details of this account are given in the table below:

Table 4, long-term loans

	<u>1341</u>	<u>1342</u>	<u>1343</u>
Drawings from			
IBRD (for Plan Organization)	33.3	5.3	1.5
Germany (for Plan Organization)	4.5	3.8	6.0
U.S. Government			
DLF loans (for Plan Organization)	16.5	4.7	1.3
Loans in Iranian rials	<u>4.9</u>	<u>5.3</u>	<u>4.0</u>
	59.2	19.1	12.8

	<u>1341</u>	<u>1342</u>	<u>1343</u>	1343
Repayments to				
IBRD	14.6	5.0	5.1	5.4
United Kingdom				
British Petroleum Co. (Compensation)	7.0	7.0	7.0	
U.S. Government				
Export-Import Bank	10.4	12.1	13.4	
D&F loans	<u>3.1</u>	<u>7.7</u>	<u>9.9</u>	
	35.1	31.8	35.4	

14.2. U.S. Government rial holdings. The entries cover changes in rial deposit liabilities to the U.S. Government resulting from purchases (credit) of U.S. surplus agricultural commodities with rials and from the use (debit) of the sales proceeds for U.S. Government expenditures.

14.3. Suppliers' credit. The entries show drawings on and repayments of foreign suppliers' credits to official entities and Ministry of War.

#### 15. Central Monetary Institutions.

15.1 IMF rial holdings. The debit entry for 1341 shows a repurchase and the credit entry for 1343 a purchase of foreign exchange from the International Monetary Fund.

15.2 IBRD and IDA rial holdings. The credit entries show increases in Iran's liabilities resulting from the payment of rial subscriptions to the IBRD and IDA. The subscriptions themselves are entered as debits in item 14.4. The debit entry for 1342 shows decreases in Iran's liabilities to the IBRD resulting from loan disbursements by the IBRD to other countries out of its holdings of Iranian rials.

15.3. The entries show changes in bilateral balances (debits of 0.8 for 1341, 3.5 for 1342 and 2.2 for 1343) and balance of trade with the U.S.S.R.

Net errors and omissions. Some errors and omissions may be attributed to the accumulation of foreign holdings by the private sector in 1342 and the use of these holdings in 1343. Errors and omissions related to the oil consortium's transactions are also reflected in net errors and omissions.

TABLE A. GLOBAL BALANCE OF PAYMENTS SUMMARY

Part I: Goods and Services, and Transfer Payments

(Figures in millions of U.S. dollars)

Compiling Country IAAN

Period Covered 1343 (Year ended March 20, 1965)

Currency ..... Unit .....

Exchange Rate : US\$.....Per .....

Item	Table	Credit	Debit
A. Goods and Services (1 through 8) .....		1,219.9	1,340.7
1. Merchandise .....	I	1,151.1	736.2
1.1. Exports f.o.b., Imports .....		1,151.1	736.2
1.2. Other merchandise (net) .....		—	xxx
2. Nonmonetary gold .....	II	—	0.4
3. Freight and insurance on international shipments .....		1.0	—
3.1. Freight .....	III.A	—	—
3.2. Insurance .....	III.B	1.0	—
4. Other transportation .....	IV	6.8	9.6
4.1. Passenger fares .....		6.1	7.1
4.2. Time charters .....		—	2.5
4.3. Port expenditures .....		—	—
4.4. Other .....		0.7	—
5. Travel .....	V	14.0	48.0
6. Investment income .....	VI	2.7	457.9
6.1. Direct investment income .....		—	440.2
6.2. Other dividends .....		—	1.8
6.3. Other .....		2.7	15.9
7. Government, not included elsewhere .....	VII	18.5	46.0
7.1. Military transactions .....		—	—
7.2. Nonmilitary transactions .....		18.5	46.0
8. Other services .....	VIII	25.8	42.6
8.1. Nonmerchandise insurance .....		—	0.8
8.2. Other .....		25.8	41.8
Memorandum item: factor income (item 6 and part of items 7 and 8).....			
B. Transfer Payments (9 plus 10) .....		12.5	0.1
9. Private * .....	IX	1.1	0.1
9.1. To and from foreign governments .....		—	—
9.2. Other .....		1.1	0.1
10. Central government .....	X	11.4	—
10.1. Intergovernmental .....		7.4	—
10.2. Other .....		4.0	—

\* All residents other than the central government.



TABLE A. GLOBAL BALANCE OF PAYMENTS SUMMARY (continued)

Part 2: Movements of Capital and Monetary Gold

Compiling Country *IRAN*

Period Covered *1343*

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Table	Assets		Liabilities	
		Credit	Debit	Credit	Debit
<b>C. Capital and Monetary Gold (11 through 16)</b>		<b>6.5</b>	<b>128.3</b>	<b>262.1</b>	<b>81.8</b>
11. Private † long-term (including all direct investment) .....	XI			224.5	
11.1. Direct investment .....				223.5	
11.2. Capital in associated enterprises .....					
11.3. Other common stocks .....					
11.4. Foreign central government securities .....				xxx	xxx
11.5. Other securities .....					
11.6. Other loans and trade credits .....				1.0	
11.7. Other assets and liabilities .....					
12. Private † short-term (other than direct investment) .....	XII				
12.1. Currency and bank deposits .....				xxx	xxx
12.2. Foreign central government securities .....				xxx	xxx
12.3. Trade credits .....					
12.4. Other assets and liabilities .....					
13. Local governments † .....	XIII				
13.1. Issues abroad .....		xxx	xxx		
13.2. Other securities .....					
13.3. Other assets and liabilities .....					
14. Central government † .....	XIV		0.1	20.1	73.9
14.1. Long-term issues abroad .....		xxx	xxx		
14.2. Other long-term securities .....					
14.3. Short-term securities .....					
14.4. Long-term loans .....				12.8	35.4
14.5. Other long-term assets and liabilities .....				4.7	38.5
14.6. Other short-term assets and liabilities .....			0.1	2.6	
15. Central monetary institutions .....	XV	0.3	121.9	17.5	
15.1. Accounts with IMF .....				17.5	
15.2. Marketable assets .....			1.0	xxx	xxx
15.3. Deposits .....			118.7		
15.4. Loans .....					
15.5. Other foreign assets and liabilities .....			2.2		
15.6. Gold .....		0.3		xxx	xxx
16. Other monetary institutions .....	XVI	6.2	6.3		7.9
16.1. Marketable assets .....			6.3	xxx	xxx
16.2. Deposits .....		6.2			7.9
16.3. Loans .....					
16.4. Other foreign assets and liabilities .....					
16.5. Gold .....				xxx	xxx

† Excluding monetary institutions.

TABLE A. GLOBAL BALANCE OF PAYMENTS SUMMARY (concluded)

Part 3: Reconciliation of Part 1 and Part 2 \*

Compiling Country IRAN ..... Period Covered 1343 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
17. Goods and Services (1 through 8) .....	1,219.9	1,340.7
18. Transfer Payments (9 plus 10) .....	12.5	0.1
19. Foreign Assets and Monetary Gold (11 through 16, assets)	6.5	128.3
20. Foreign Liabilities (11 through 16, liabilities) .....	262.1	81.8
21. Total Net Transactions (17 through 20) .....	1,501.0	1,550.9
22. Net Errors and Omissions .....	49.9	
23. Total (21 plus 22) .....		

\* Part 3 of the Global Balance of Payments Summary (Table A) reconciles the transactions in goods and services, and transfer payments covered in Part 1 with the movements of capital and monetary gold covered in Part 2. For each of the principal accounts in Part 1 and Part 2, i.e., for goods and services (Part 1: items 1 through 8), for transfer payments (Part 1: items 9 plus 10), for foreign assets and monetary gold (Part 2: items 11 through 16, assets), and for foreign liabilities (Part 2: items 11 through 16, liabilities), a net credit or debit is transferred to Part 3, and the sum total of the net credits, on the one hand, and of the net debits, on the other, is entered in item 21, total net transactions. Finally, net errors and omissions (item 22) brings into balance the totals of the net transactions, so that the credits and debits, when entered in the total (item 23), are equal.

Errors and omissions are included in the reconciliation table (Part 3) on a net basis, since differences on account of incomplete, inaccurate, and inconsistent sources are likely to be at least partly offsetting. A credit entry in this item is the result of either a net understatement of recorded credits or a net overstatement of recorded debits; a debit entry is the result of either a net understatement of recorded debits or a net overstatement of recorded credits.

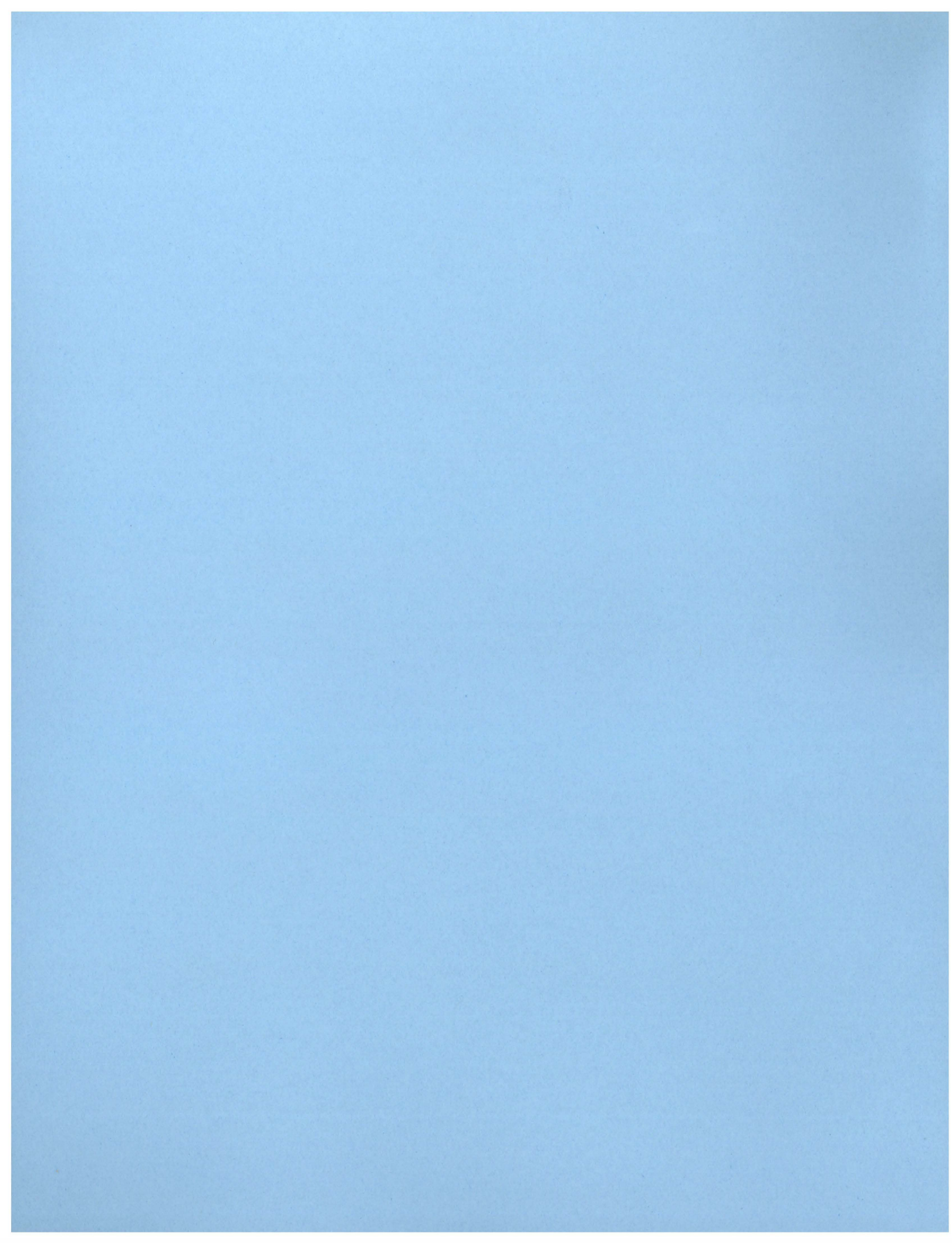


TABLE I. MERCHANDISE TRANSACTIONS

Compiling Country IRAN .....

Period Covered 1343 .....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Trade as reported in <u>trade returns</u> (exports <u>fob</u> , imports <u>cif</u> ) .....	<u>1,151.1</u>	<u>742.3</u>
2. Adjustments for uniform valuation basis (2.1 through 2.4)		
2.1. Internal freight .....		
2.2. Internal insurance .....		
2.3. International freight .....		
2.4. International insurance .....		
3. Exports f.o.b., imports <u>cif</u> (1 plus 2) .....	<u>1,151.1</u>	<u>742.3</u>
4. Other valuation adjustments .....		
5. Coverage adjustments (5.1 plus 5.2) .....		
5.1. Additions .....		
5.2. Deductions (enter with minus sign) .....		<u>-6.1</u>
6. Timing adjustments (6.1 plus 6.2 or 6.3 plus 6.4) .....		
6.1. Domestically owned stocks held abroad * .....		
6.2. Foreign-owned stocks held in compiling country* .....		
6.3. Trade credits extended † .....		
6.4. Trade credits received † .....		
7. Total adjusted exports f.o.b., imports <u>cif</u> (3 through 6 = Table A, item 1.1) .....	<u>1,151.1</u>	<u>736.2</u>
8. Merchandise transactions abroad (Table A, item 1.2) .....		xxx

\* For trade data based on trade returns.  
 † For trade data based on exchange records.

TABLE II(a). NONMONETARY GOLD

Compiling Country IRAN.....

Period Covered 1973.....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Thousands of Fine Ounces		Value	
	Credit	Debit	Credit	Debit
<b>Transactions of Nonmonetary Sectors</b>				
1. International sales (credit) and purchases (debit) of refined and unrefined gold .....				
2. International receipts (credit) and payments (debit) of refining fees .....	xxx	xxx		
3. Domestic sales to (credit) and purchases from (debit) monetary sectors of refined gold .....				0.4
4. Net transactions of nonmonetary sectors (balance of items 1, 2, and 3) .....				0.4
<b>Adjustments for Deviations from Par of Transactions of Monetary Sectors</b>				
5. International sales (credit) and purchases (debit) of refined gold .....				
6. Domestic sales to (credit) and purchases from (debit) nonmonetary sectors of refined gold .....				
7. Change in monetary gold holdings at transactions value (balance of items 5 and 6) .....				
8. Change in monetary gold holdings at par value (increase, credit; decrease, debit) .....	xxx	xxx		
9. Deviation of item 7 from par (balance of items 7 and 8) .....	xxx	xxx		
10. Nonmonetary gold (balance of items 4 and 9 and of items 11 and 12 = Table A, item 2) .....				0.4
<b>Sources (credit) and Uses (debit) of Nonmonetary Gold</b>				
11. Mine output .....		xxx	xxx	xxx
12. Net uses (balance of items 12.1-12.4) .....			xxx	xxx
12.1. Arts and industry .....			xxx	xxx
12.2. Mine inventories .....			xxx	xxx
12.3. Refiners' and dealers' inventories .....			xxx	xxx
12.4. Hoards .....			xxx	xxx

TABLE III.B. INSURANCE ON INTERNATIONAL SHIPMENTS

Compiling Country IRAN.....

Period Covered 1943.....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
<b>Insurance on F.O.B. Basis</b>		
1. Premiums (1.1 through 1.3) .....		
1.1. On imports .....	xxx	
1.2. On exports .....		xxx
1.3. Other .....		
2. Claims (2.1 through 2.3) .....		
2.1. On imports .....		
2.2. On exports .....		
2.3. Other .....		
3. Total (1 plus 2 = Table A, item 3.2).....		
4. Memorandum item: premiums on imports received by residents .....		xxx
<b>Insurance on C.I.F. Basis</b>		
5. Premiums (5.1 through 5.3) .....		
5.1. On imports .....		xxx
5.2. On exports .....		xxx
5.3. Other .....		
6. Claims (6.1 through 6.3) .....		
6.1. On imports .....	1.0	
6.2. On exports .....		
6.3. Other .....		
7. Total (5 plus 6 = Table A, item 3.2).....	1.0	

TABLE IV. OTHER TRANSPORTATION

Compiling Country IRAN ..... Period Covered 1943 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Ocean Vessels		Aircraft	Other and Unallocated	Total
	Petroleum tankers	Other			
<b>Credit</b>					
1. Passenger fares .....			6.1		6.1
2. Time charters .....					
3. Port disbursements .....					
3.1. Bunker oil .....		0.7			0.7
3.2. Other .....					
4. Other (includes coastal shipping) .....					
5. Total (1 through 4 = Table A, item 4, credit)....		0.7	6.1		6.8
<b>Debit</b>					
6. Passenger fares .....			7.1		7.1
7. Time charters .....			2.5		2.5
8. Port disbursements .....					
8.1. Bunker oil .....					
8.2. Other .....					
9. Other (includes coastal shipping) .....					
10. Total (6 through 9 = Table A, item 4, debit) ....			9.6		9.6
<b>Memorandum Item</b>					
11. Fares received by domestic carriers from residents .....					

### TABLE V. TRAVEL

Compiling Country IRAN .....

Period Covered 1943 .....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Tourists .....	13.0	23.0
2. Business travelers .....	0.3	
3. Students .....	0.2	25.0
4. Government officials .....	0.5	
5. Others .....		
6. Total (1 through 5 = Table A, item 5) .....	14.0	48.0
Alternative classification, if any:		
.....		
.....		
.....		
.....		
.....		
.....		



TABLE VI. INVESTMENT INCOME

Compiling Country IRAN .....

Period Covered 1343 .....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Direct investment income (1.1 through 1.4 = Table A, item 6.1) .....		
1.1. Earnings of branches .....		440.2
1.2. Dividends .....		1.8
1.3. Interest .....		
1.4. Undistributed corporate earnings .....		
2. Other dividends (Table A, item 6.2) .....		
3. Other interest (3.1 through 3.6: Table A, part of item 6.3) .....		
3.1. IMF charges .....	xxx	0.1
3.2. International agencies .....		5.5
3.3. Intergovernmental loans .....		8.1
3.4. Other government obligations .....		1.7
3.5. Deposits .....	2.7	
3.6. Other .....		0.5
4. Other (Table A, part of item 6.3) .....		
5. Total (1 through 4 = Table A, item 6) .....	2.7	457.9

TABLE VII. GOVERNMENT TRANSACTIONS, NOT INCLUDED ELSEWHERE\*

Compiling Country IRAN.....

Period Covered 1943.....

Currency ..... Unit .....

Exchange Rate: US\$..... Per .....

Item	Credit	Debit
1. Military transactions (1.1 through 1.6 = Table A, item 7.1)....		
†1.1. Wage payments to local staff .....		
1.2. Contributions to common defense .....		
†1.3. Troop personal expenditures .....		
1.4. Other transactions of compiling country's military agencies .....		
1.5. Other transactions of foreign military agencies with compiling country's government .....		
1.6. Other transactions of foreign military agencies with other residents .....		
2. Nonmilitary transactions (2.1 through 2.5 = Table A, item 7.2) .....		
†2.1. Wage payments to local staff .....		
2.2. Services under aid programs .....		7.3
†2.3. Diplomatic personal expenditures .....	5.4	8.3
2.4. Other transactions of compiling country's government institutions .....	8.7	30.4
2.5. Other transactions of foreign government institutions with other residents .....	4.4	
3. Total (1 plus 2 = Table A, item 7) .....	18.5	46.0
4. Memorandum items		
†4.1. Factor income, (1.1 plus 2.1) .....		
4.2. Transactions of compiling country's government institutions (credit: total of credits of 1.2, 1.4, 1.5, 2.2, and 2.4; debit: total of debits of 1.1, 1.2, 1.4, 1.5, 2.1, 2.2, and 2.4) .....		
4.3. Common defense and occupation services .....		

\* Includes some transactions of government personnel for their own account (see General Note to Tables VII and VIII).

† Item specified for reconciliation with national accounts.

TABLE VIII. OTHER SERVICES

Compiling Country IRAN.....

Period Covered 1973.....

Currency.....Unit .....

Exchange Rate: US\$.....Per.....

Item	Credit	Debit
1. Nonmerchandise insurance (1.1 through 1.4 = Table A, item 8.1) .....		
1.1. Premiums on direct insurance .....		0.8
1.2. Claims on direct insurance .....		
1.3. Premiums on reinsurance .....		
1.4. Claims on reinsurance .....		
2. Other (2.1 through 2.12 = Table A, item 8.2) .....	25.8	41.8
2.1. Personal income .....		
2.2. Management fees .....		
2.3. Underwriters' commissions .....		
2.4. Agents' fees .....		
2.5. Construction activity .....		
2.6. Communications .....		
2.7. Advertising .....		
2.8. Subscriptions to press .....		
2.9. Film rentals .....		
2.10. Copyrights and patent royalties .....		
2.11. Real estate rentals .....		
2.12. Other .....		
3. Total (1 plus 2 = Table A, item 8) .....	25.8	42.6
*4. Memorandum item: factor income .....		

\*Item specified for reconciliation with national accounts.

TABLE IX. PRIVATE\* TRANSFER PAYMENTS

Compiling Country IRAN ..... Period Covered 1973 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. To and from foreign governments (1.1 through 1.4 = Table A, item 9.1) .....		
1.1. Income taxes .....		
1.2. Other taxes and fees .....		
1.3. Noncontractual pensions .....		xxx
1.4. Other .....		
2. Other (2.1 through 2.3 = Table A, item 9.2) .....		
2.1. Institutional in cash .....		
2.2. Institutional in kind .....	0.1	
2.3. Other .....	1.0	0.1
3. Total (1 plus 2 = Table A, item 9) .....	1.1	0.1

\*All residents other than the central government.

TABLE X. CENTRAL GOVERNMENT TRANSFER PAYMENTS

Compiling Country IRAN

Period Covered 1943

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit				Debit			
	Cash	Merchandise	Other	Total	Cash	Merchandise	Other	Total
1. Intergovernmental (1.1 through 1.6 = Table A, item 10.1) .....								
1.1. Reparations .....								
1.2. Military direct grants .....								
1.3. Military offshore grants .....	xxx				xxx			
1.4. Other direct grants, <u>U.S.A.</u> .....				7.4				
1.5. Other offshore grants .....	xxx				xxx			
1.6. Other .....								
2. Other (2.1 through 2.3 = Table A, item 10.2) .....								
2.1. Grants .....								
2.2. Taxes .....		xxx	xxx			xxx	xxx	
2.3. Other <u>U.N.</u> .....				4.0				
3. Total (1 plus 2 = Table A, item 10) .....				11.4				

TABLE XI. PRIVATE LONG-TERM FOREIGN ASSETS AND LIABILITIES

(Including All Direct Investment)

Compiling Country IRAN .....Period Covered 1943 .....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Assets (Net)		Liabilities (Net)		Transfer to Table A (Part 2) (5)
	Credit (decrease) (1)	Debit (increase) (2)	Credit (increase) (3)	Debit (decrease) (4)	
1. Direct investment capital (1.1 through 1.5) .....					11.1
1.1. Net investment in branches .....			223.5		
1.2. Common stocks .....					
1.3. Other securities .....					
1.4. Other intercompany debts .....					
1.5. Undistributed earnings .....					
2. Other capital in direct investment enterprises (2.1 through 2.4) .....					11.1*
2.1. Common stocks .....					(11.3)*
2.2. Other securities .....					(11.5)*
2.3. Loans .....					(11.6)*
2.4. Undistributed earnings .....					(no entry)*
3. Capital in associated enterprises (3.1 through 3.4) .....					11.2
3.1. Common stocks .....					
3.2. Other securities .....					
3.3. Loans .....					
3.4. Other .....					
4. Other .....					11.3
4.1. Common stocks .....			xxx	xxx	11.4
4.2. Foreign central government securities .....					11.5
4.3. Other securities .....					11.6
4.4. Use of trade credits .....	xxx			xxx	11.6
4.5. Repayments on trade credits .....		xxx	xxx		11.6
4.6. Drawings on loans .....	xxx		1.0	xxx	11.6
4.7. Repayments on loans .....		xxx	xxx		11.6
4.8. Other .....					11.7
5. Net credit or debit balance (1 through 4) .....			224.5		11

\* Either the total for item 2 should be entered in item 11.1 or the amount for each subitem should be entered in the respective item indicated in parentheses.

TABLE XII. PRIVATE SHORT-TERM FOREIGN ASSETS AND LIABILITIES

(Other Than Direct Investment)

Compiling Country IRAN .....

Period Covered 1973 .....

Currency..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	This Return (1)	Last Return (2)	Increase or Decrease (-) (1-2) (3)	Adjustments (4)	Corrected Change (3+4) (5)	Transfer to Table A (Part 2) (6)
<b>Assets</b>						
1. Currency and bank deposits .....						12.1
2. Foreign central government securities .....						12.2
3. Trade credits .....						12.3
4. Other .....						12.4
5. Total (1 through 4) .....						12
<b>Liabilities</b>						
6. Trade credits .....						12.3
7. Other .....						12.4
8. Total (6 plus 7) .....						12

TABLE XIV. CENTRAL GOVERNMENT FOREIGN ASSETS AND LIABILITIES

Compiling Country IRAN

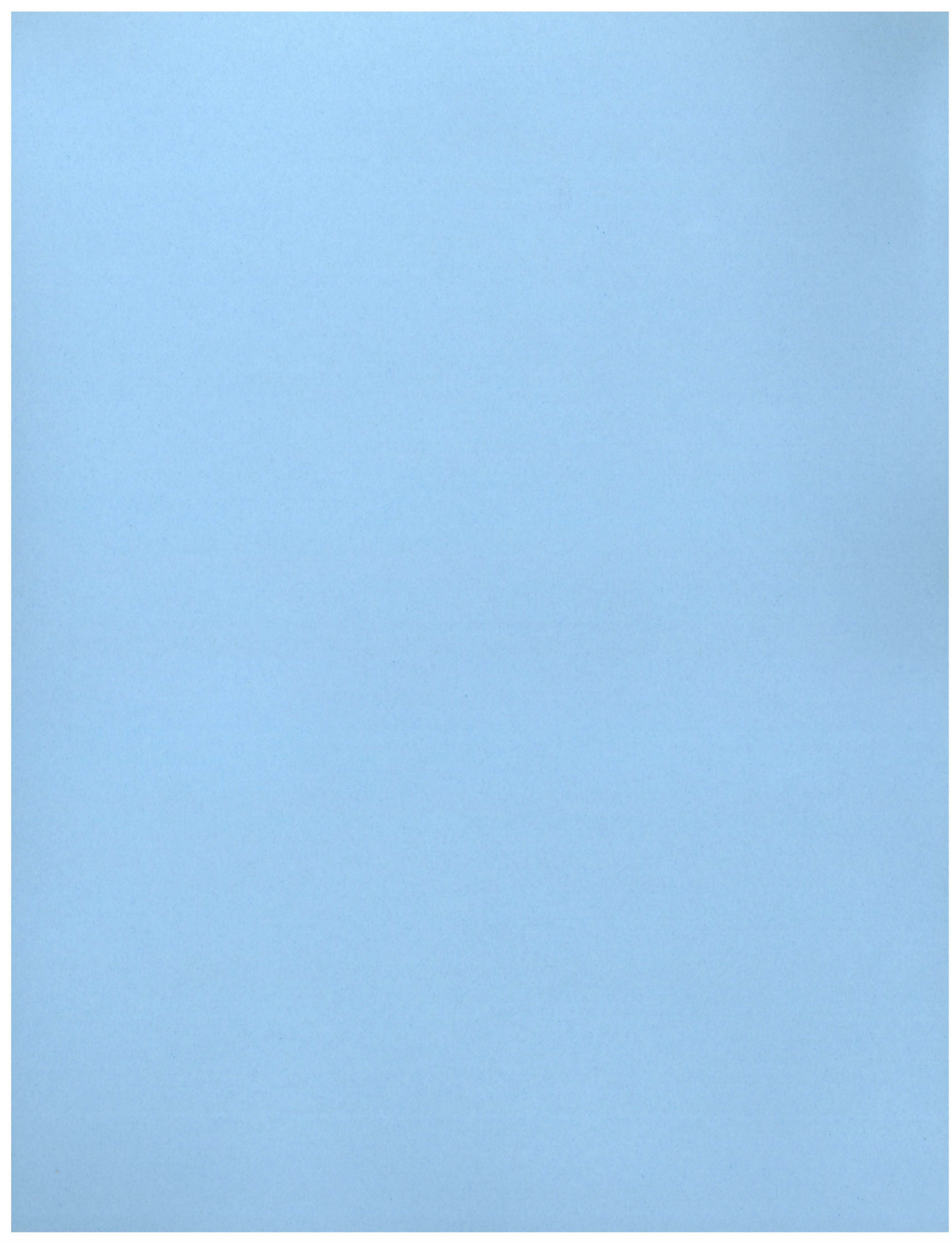
Period Covered 1343

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

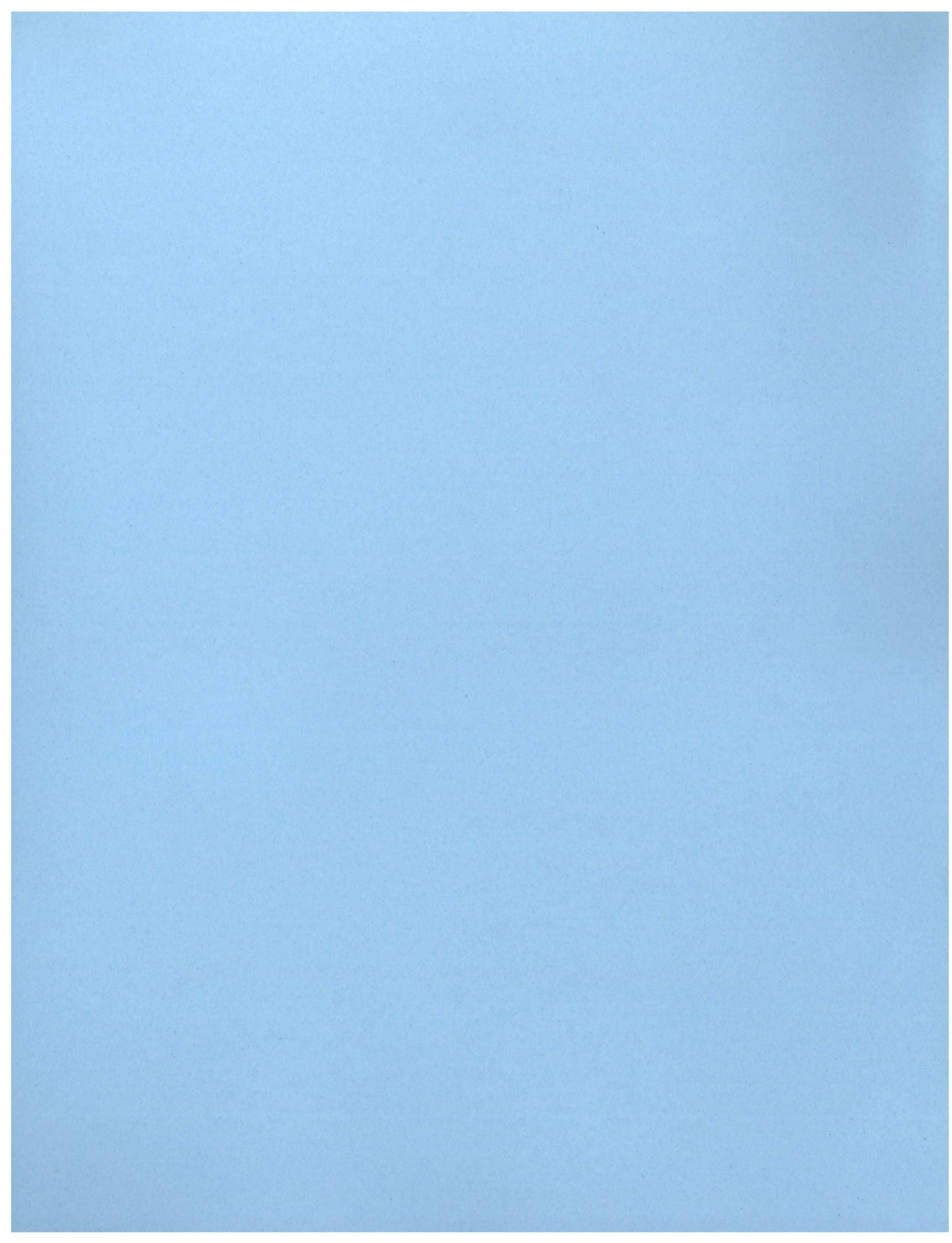
Item	Assets (Net)		Liabilities (Net)		Transfer to Table A (Part 2) (5)
	Credit (decrease) (1)	Debit (increase) (2)	Credit (increase) (3)	Debit (decrease) (4)	
1. Long-term securities of central government (1.1 through 1.4)	xxx	xxx			
1.1. New issues abroad	xxx	xxx		xxx	14.1
1.2. Retirements abroad	xxx	xxx	xxx		14.1
1.3. Other transactions in issues abroad	xxx	xxx	xxx		14.1
1.4. Domestic issues	xxx	xxx			14.2
2. Foreign long-term securities (2.1 through 2.3)			xxx	xxx	14.2
2.1. International lending institutions			xxx	xxx	
2.2. Foreign central governments			xxx	xxx	
2.3. Other			xxx	xxx	
3. Short-term securities of central government (3.1 plus 3.2)	xxx	xxx			14.3
3.1. Foreign issues	xxx	xxx			
3.2. Domestic issues	xxx	xxx			
4. Foreign short-term securities			xxx	xxx	14.3
5. Drawings on long-term loans	xxx		12.8	xxx	14.4
6. Repayments on long-term loans (6.1 plus 6.2)		xxx	xxx	35.4	14.4
6.1. Contractual		xxx	xxx		
6.2. Noncontractual		xxx	xxx		
7. Other long-term (specify)					14.5
7.1. <u>Suppliers' credit</u>			4.7	38.5	
7.2.					
7.3.					
8. Other short-term (specify)					14.6
8.1. <u>U.S. Gov't rial holdings</u>			2.6		
8.2. <u>Subscription to non-monetary int'l org's</u>		0.1			
8.3.					
9. Net credit or debit balance (1 through 8)		0.1		53.8	14











## TABLE A. GLOBAL BALANCE OF PAYMENTS SUMMARY

### Part I: Goods and Services, and Transfer Payments

(Figures in millions of U.S. dollars)

Compiling Country IRAN.....

Period Covered 1342 (Year ended March 20, 1964).....

Currency..... Unit .....

Exchange Rate : US\$.....Per .....

Item	Table	Credit	Debit
A. Goods and Services (1 through 8) .....		1,095.3	1,042.5
1. Merchandise .....	I	1,035.4	508.0
1.1. Exports f.o.b., Imports <u>cif</u> .....		1,035.4	508.0
1.2. Other merchandise (net) .....		—	xxx
2. Nonmonetary gold .....	II	—	0.2
3. Freight and insurance on international shipments .....		1.0	—
3.1. Freight .....	III.A	—	—
3.2. Insurance .....	III.B	1.0	—
4. Other transportation .....	IV	4.9	8.3
4.1. Passenger fares .....		3.9	7.0
4.2. Time charters .....		—	1.3
4.3. Port expenditures .....		—	—
4.4. Other .....		1.0	—
5. Travel .....	V	8.0	40.0
6. Investment income .....	VI	3.1	404.1
6.1. Direct investment income .....		—	388.0
6.2. Other dividends .....		—	0.1
6.3. Other .....		3.1	16.0
7. Government, not included elsewhere .....	VII	22.6	40.3
7.1. Military transactions .....		—	—
7.2. Nonmilitary transactions .....		22.6	40.3
8. Other services .....	VIII	20.3	41.6
8.1. Nonmerchandise insurance .....		—	0.4
8.2. Other .....		20.3	41.2
Memorandum item: factor income (item 6 and part of items 7 and 8).....			
B. Transfer Payments (9 plus 10) .....		17.0	0.1
9. Private * .....	IX	1.1	0.1
9.1. To and from foreign governments .....		—	—
9.2. Other .....		1.1	0.1
10. Central government .....	X	15.9	—
10.1. Intergovernmental .....		12.4	—
10.2. Other .....		3.5	—

\* All residents other than the central government.

TABLE A. GLOBAL BALANCE OF PAYMENTS SUMMARY (continued)

Part 2: Movements of Capital and Monetary Gold

Compiling Country IRAN .....

Period Covered 1342 .....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Table	Assets		Liabilities	
		Credit	Debit	Credit	Debit
C. Capital and Monetary Gold (11 through 16)		10.2	41.2	75.0	64.6
11. Private † long-term (including all direct investment) .....	XI			49.4	0.4
11.1. Direct investment .....				48.4	—
11.2. Capital in associated enterprises .....					
11.3. Other common stocks .....					
11.4. Foreign central government securities .....				xxx	xxx
11.5. Other securities .....					
11.6. Other loans and trade credits .....				1.0	0.4
11.7. Other assets and liabilities .....					
12. Private † short-term (other than direct investment) .....	XII				
12.1. Currency and bank deposits .....				xxx	xxx
12.2. Foreign central government securities .....				xxx	xxx
12.3. Trade credits .....					
12.4. Other assets and liabilities .....					
13. Local governments † .....	XIII				
13.1. Issues abroad .....		xxx	xxx		
13.2. Other securities .....					
13.3. Other assets and liabilities .....					
14. Central government † .....	XIV	—	0.9	19.1	64.1
14.1. Long-term issues abroad .....		xxx	xxx		
14.2. Other long-term securities .....					
14.3. Short-term securities .....					
14.4. Long-term loans .....				19.1	31.8
14.5. Other long-term assets and liabilities .....					26.3
14.6. Other short-term assets and liabilities .....			0.9		6.0
15. Central monetary institutions .....	XV	10.2	23.2	0.8	0.1
15.1. Accounts with IMF .....					
15.2. Marketable assets .....		7.1		xxx	xxx
15.3. Deposits .....			10.9		
15.4. Loans .....					
15.5. Other foreign assets and liabilities .....		3.1		0.8	0.1
15.6. Gold .....				xxx	xxx
16. Other monetary institutions .....	XVI	—	17.1	5.7	—
16.1. Marketable assets .....			6.0	xxx	xxx
16.2. Deposits .....			11.0	5.7	
16.3. Loans .....					
16.4. Other foreign assets and liabilities .....					
16.5. Gold .....			0.1	xxx	xxx

† Excluding monetary institutions.

TABLE A. GLOBAL BALANCE OF PAYMENTS SUMMARY (concluded)

Part 3: Reconciliation of Part 1 and Part 2 \*

Compiling Country IRAN ..... Period Covered 1342 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
17. Goods and Services (1 through 8) .....	1,095.3	1,042.5
18. Transfer Payments (9 plus 10) .....	17.0	0.1
19. Foreign Assets and Monetary Gold (11 through 16, assets)	10.2	41.2
20. Foreign Liabilities (11 through 16, liabilities).....	75.0	64.6
21. Total Net Transactions (17 through 20).....	1,197.5	1,148.4
22. Net Errors and Omissions.....		49.1
23. Total (21 plus 22).....		

\* Part 3 of the Global Balance of Payments Summary (Table A) reconciles the transactions in goods and services, and transfer payments covered in Part 1 with the movements of capital and monetary gold covered in Part 2. For each of the principal accounts in Part 1 and Part 2, i.e., for goods and services (Part 1: items 1 through 8), for transfer payments (Part 1: items 9 plus 10), for foreign assets and monetary gold (Part 2: items 11 through 16, assets), and for foreign liabilities (Part 2: items 11 through 16, liabilities), a net credit or debit is transferred to Part 3, and the sum total of the net credits, on the one hand, and of the net debits, on the other, is entered in item 21, total net transactions. Finally, net errors and omissions (item 22) brings into balance the totals of the net transactions, so that the credits and debits, when entered in the total (item 23), are equal.

Errors and omissions are included in the reconciliation table (Part 3) on a net basis, since differences on account of incomplete, inaccurate, and inconsistent sources are likely to be at least partly offsetting. A credit entry in this item is the result of either a net understatement of recorded credits or a net overstatement of recorded debits; a debit entry is the result of either a net understatement of recorded debits or a net overstatement of recorded credits.

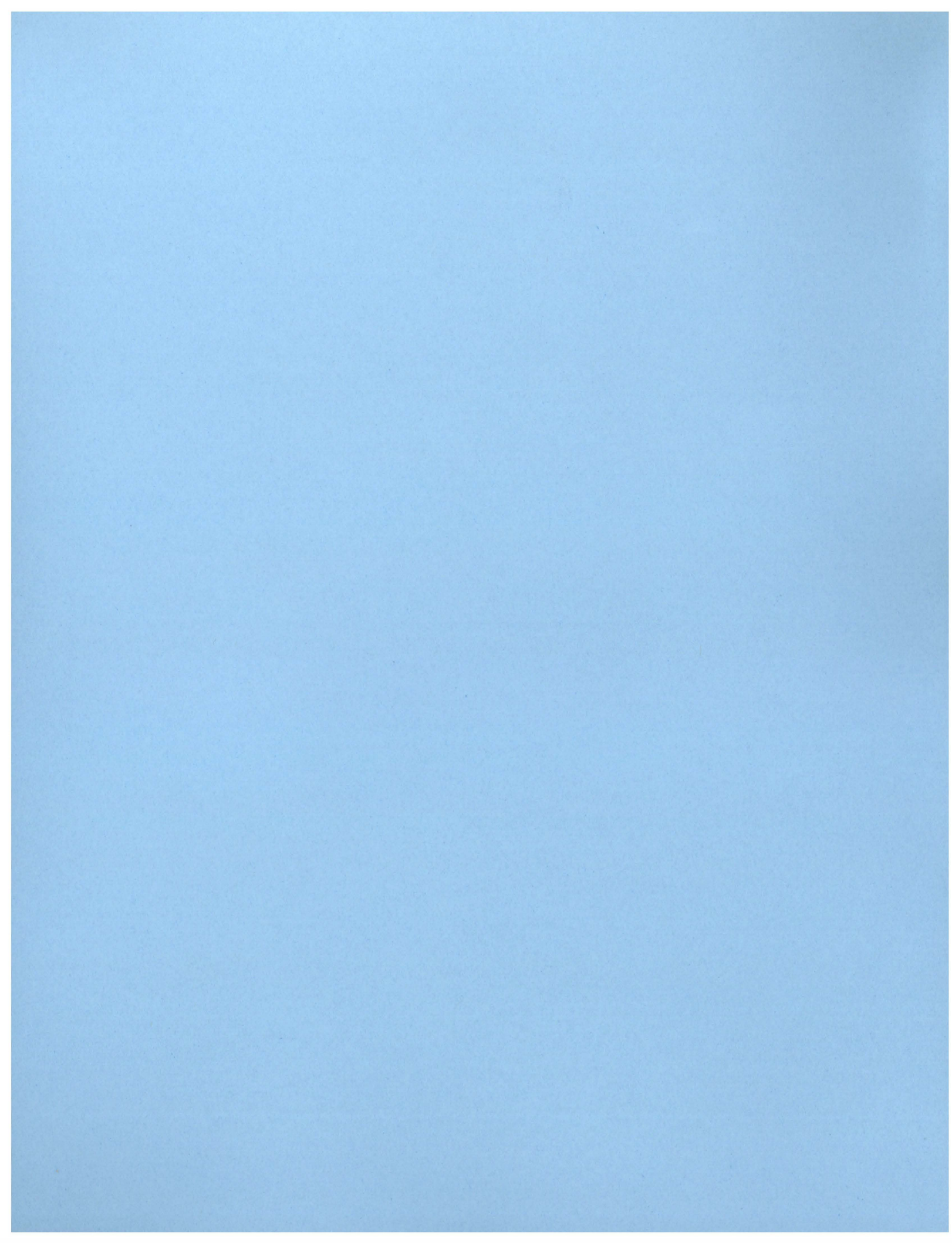




TABLE I. MERCHANDISE TRANSACTIONS

Compiling Country IRAN ..... Period Covered 1342 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Trade as reported in <u>trade returns</u> (exports <u>feb</u> , imports <u>cif</u> ) .....	1,025.4	513.0
2. Adjustments for uniform valuation basis (2.1 through 2.4)		
2.1. Internal freight .....		
2.2. Internal insurance .....		
2.3. International freight .....		
2.4. International insurance .....		
3. Exports f.o.b., imports (1 plus 2) .....	1,025.4	513.0
4. Other valuation adjustments .....	10.0	
5. Coverage adjustments (5.1 plus 5.2) .....		
5.1. Additions .....		
5.2. Deductions (enter with minus sign) .....	-	- 5.0
6. Timing adjustments (6.1 plus 6.2 or 6.3 plus 6.4) .....		
6.1. Domestically owned stocks held abroad * .....		
6.2. Foreign-owned stocks held in compiling country* .....		
6.3. Trade credits extended † .....		
6.4. Trade credits received † .....		
7. Total adjusted exports f.o.b., imports — (3 through 6 = Table A, item 1.1) .....	1,035.4	508.0
8. Merchandise transactions abroad (Table A, item 1.2) .....		xxx

\* For trade data based on trade returns.  
 † For trade data based on exchange records.

TABLE II(a). NONMONETARY GOLD

Compiling Country IRAN.....

Period Covered 1942.....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Thousands of Fine Ounces		Value	
	Credit	Debit	Credit	Debit
<b>Transactions of Nonmonetary Sectors</b>				
1. International sales (credit) and purchases (debit) of refined and unrefined gold .....				
2. International receipts (credit) and payments (debit) of refining fees .....	xxx	xxx		
3. Domestic sales to (credit) and purchases from (debit) monetary sectors of refined gold .....				0.2
4. Net transactions of nonmonetary sectors (balance of items 1, 2, and 3) .....				0.2
<b>Adjustments for Deviations from Par of Transactions of Monetary Sectors</b>				
5. International sales (credit) and purchases (debit) of refined gold .....				
6. Domestic sales to (credit) and purchases from (debit) nonmonetary sectors of refined gold .....				
7. Change in monetary gold holdings at transactions value (balance of items 5 and 6) .....				
8. Change in monetary gold holdings at par value (increase, credit; decrease, debit) .....	xxx	xxx		
9. Deviation of item 7 from par (balance of items 7 and 8) .....	xxx	xxx		
10. Nonmonetary gold (balance of items 4 and 9 and of items 11 and 12 = Table A, item 2) .....				0.2
<b>Sources (credit) and Uses (debit) of Nonmonetary Gold</b>				
11. Mine output .....		xxx	xxx	xxx
12. Net uses (balance of items 12.1-12.4) .....			xxx	xxx
12.1. Arts and industry .....			xxx	xxx
12.2. Mine inventories .....			xxx	xxx
12.3. Refiners' and dealers' inventories .....			xxx	xxx
12.4. Hoards .....			xxx	xxx

TABLE III.B. INSURANCE ON INTERNATIONAL SHIPMENTS

Compiling Country IRAN.....

Period Covered 1942.....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
<b>Insurance on F.O.B. Basis</b>		
1. Premiums (1.1 through 1.3) .....		
1.1. On imports .....	xxx	
1.2. On exports .....		xxx
1.3. Other .....		
2. Claims (2.1 through 2.3) .....		
2.1. On imports .....		
2.2. On exports .....		
2.3. Other .....		
3. Total (1 plus 2 = Table A, item 3.2).....		
4. Memorandum item: premiums on imports received by residents .....		xxx
<b>Insurance on C.I.F. Basis</b>		
5. Premiums (5.1 through 5.3) .....		
5.1. On imports .....		xxx
5.2. On exports .....		xxx
5.3. Other .....		
6. Claims (6.1 through 6.3) .....		
6.1. On imports .....	1.0	
6.2. On exports .....		
6.3. Other .....		
7. Total (5 plus 6 = Table A, item 3.2).....	1.0	

TABLE IV. OTHER TRANSPORTATION

Compiling Country IRAN ..... Period Covered 1942 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Ocean Vessels		Aircraft	Other and Unallocated	Total
	Petroleum tankers	Other			
<b>Credit</b>					
1. Passenger fares .....			3.9		3.9
2. Time charters .....					
3. Port disbursements .....					
3.1. Bunker oil .....		1.0			1.0
3.2. Other .....					
4. Other (includes coastal shipping) .....					
5. Total (1 through 4 = Table A, item 4, credit)...		1.0	3.9		4.9
<b>Debit</b>					
6. Passenger fares .....			7.0		7.0
7. Time charters .....			1.3		1.3
8. Port disbursements .....					
8.1. Bunker oil .....					
8.2. Other .....					
9. Other (includes coastal shipping) .....					
10. Total (6 through 9 = Table A, item 4, debit) ....			8.3		8.3
<b>Memorandum Item</b>					
11. Fares received by domestic carriers from residents .....					

### TABLE V. TRAVEL

Compiling Country IRAN .....

Period Covered 1342 .....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Tourists .....	7.2	18.0
2. Business travelers .....	0.2	
3. Students .....	0.1	22.0
4. Government officials .....	0.5	
5. Others .....		
6. Total (1 through 5 = Table A, item 5) .....	8.0	40.0
Alternative classification, if any:		
.....		
.....		
.....		
.....		
.....		
.....		

TABLE VI. INVESTMENT INCOME

Compiling Country IRAN ..... Period Covered 1942 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Direct investment income (1.1 through 1.4 = Table A, item 6.1) .....		
1.1. Earnings of branches .....		388.0
1.2. Dividends .....		0.1
1.3. Interest .....		
1.4. Undistributed corporate earnings .....		
2. Other dividends (Table A, item 6.2) .....		
3. Other interest (3.1 through 3.6: Table A, part of item 6.3) .....		
3.1. IMF charges .....	xxx	
3.2. International agencies .....		6.2
3.3. Intergovernmental loans .....		9.2
3.4. Other government obligations .....		
3.5. Deposits .....	3.1	
3.6. Other .....		0.6
4. Other (Table A, part of item 6.3) .....		
5. Total (1 through 4 = Table A, item 6) .....	3.1	404.1

TABLE VII. GOVERNMENT TRANSACTIONS, NOT INCLUDED ELSEWHERE\*

Compiling Country *IRAN* .....

Period Covered *1942* .....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Military transactions (1.1 through 1.6 = Table A, item 7.1) ....		
†1.1. Wage payments to local staff .....		
1.2. Contributions to common defense .....		
†1.3. Troop personal expenditures .....		
1.4. Other transactions of compiling country's military agencies .....		
1.5. Other transactions of foreign military agencies with compiling country's government .....		
1.6. Other transactions of foreign military agencies with other residents .....		
2. Nonmilitary transactions (2.1 through 2.5 = Table A, item 7.2) .....		
†2.1. Wage payments to local staff .....		
2.2. Services under aid programs .....		6.2
†2.3. Diplomatic personal expenditures .....	13.4	7.0
2.4. Other transactions of compiling country's government institutions .....	7.8	27.1
2.5. Other transactions of foreign government institutions with other residents .....	1.4	
3. Total (1 plus 2 = Table A, item 7) .....	22.6	40.3
4. Memorandum items		
†4.1. Factor income, (1.1 plus 2.1) .....		
4.2. Transactions of compiling country's government institutions (credit: total of credits of 1.2, 1.4, 1.5, 2.2, and 2.4; debit: total of debits of 1.1, 1.2, 1.4, 1.5, 2.1, 2.2, and 2.4) .....		
4.3. Common defense and occupation services .....		

\* Includes some transactions of government personnel for their own account (see General Note to Tables VII and VIII).

† Item specified for reconciliation with national accounts.

### TABLE VIII. OTHER SERVICES

Compiling Country IRAN .....

Period Covered 1342 .....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Nonmerchandise insurance (1.1 through 1.4 = Table A, item 8.1) .....		0.4
1.1. Premiums on direct insurance .....		
1.2. Claims on direct insurance .....		
1.3. Premiums on reinsurance .....		
1.4. Claims on reinsurance .....		
2. Other (2.1 through 2.12 = Table A, item 8.2) .....	20.3	41.2
2.1. Personal income .....		
2.2. Management fees .....		
2.3. Underwriters' commissions .....		
2.4. Agents' fees .....		
2.5. Construction activity .....		
2.6. Communications .....		
2.7. Advertising .....		
2.8. Subscriptions to press .....		
2.9. Film rentals .....		
2.10. Copyrights and patent royalties .....		
2.11. Real estate rentals .....		
2.12. Other .....		
3. Total (1 plus 2 = Table A, item 8) .....	20.3	41.6
*4. Memorandum item: factor income .....		

\*Item specified for reconciliation with national accounts.



TABLE IX. PRIVATE\* TRANSFER PAYMENTS

Compiling Country IRAN ..... Period Covered 1342 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. To and from foreign governments (1.1 through 1.4 = Table A, item 9.1) .....		
1.1. Income taxes .....		
1.2. Other taxes and fees .....		
1.3. Noncontractual pensions .....		xxx
1.4. Other .....		
2. Other (2.1 through 2.3 = Table A, item 9.2) .....		
2.1. Institutional in cash .....		
2.2. Institutional in kind .....	0.1	
2.3. Other .....	1.0	0.1
3. Total (1 plus 2 = Table A, item 9) .....	1.1	0.1

\*All residents other than the central government.

TABLE X. CENTRAL GOVERNMENT TRANSFER PAYMENTS

Compiling Country IRAN

Period Covered 1972

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit				Debit			
	Cash	Merchan- dise	Other	Total	Cash	Merchan- dise	Other	Total
1. Intergovernmental (1.1 through 1.6 = Table A, item 10.1) .....								
1.1. Reparations .....								
1.2. Military direct grants .....								
1.3. Military offshore grants .....	xxx				xxx			
1.4. Other direct grants <u>+ U.S.A.</u> .....				<u>12.4</u>				
1.5. Other offshore grants .....	xxx				xxx			
1.6. Other .....								
2. Other (2.1 through 2.3 = Table A, item 10.2)								
2.1. Grants .....								
2.2. Taxes .....		xxx	xxx			xxx	xxx	
2.3. Other <u>+ U.N.</u> .....				<u>3.5</u>				
3. Total (1 plus 2 = Table A, item 10) .....				<u>15.9</u>				

TABLE XI. PRIVATE LONG-TERM FOREIGN ASSETS AND LIABILITIES

(Including All Direct Investment)

Compiling Country IRAN

Period Covered 1972

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Assets (Net)		Liabilities (Net)		Transfer to Table A (Part 2) (5)
	Credit (decrease) (1)	Debit (increase) (2)	Credit (increase) (3)	Debit (decrease) (4)	
1. Direct investment capital (1.1 through 1.5) .....					11.1
1.1. Net investment in branches .....			48.4		
1.2. Common stocks .....					
1.3. Other securities .....					
1.4. Other intercompany debts .....					
1.5. Undistributed earnings .....					
2. Other capital in direct investment enterprises (2.1 through 2.4) .....					11.1*
2.1. Common stocks .....					(11.3)*
2.2. Other securities .....					(11.5)*
2.3. Loans .....					(11.6)*
2.4. Undistributed earnings .....					(no entry)*
3. Capital in associated enterprises (3.1 through 3.4) .....					11.2
3.1. Common stocks .....					
3.2. Other securities .....					
3.3. Loans .....					
3.4. Other .....					
4. Other .....					11.3
4.1. Common stocks .....					11.4
4.2. Foreign central government securities .....			xxx	xxx	11.5
4.3. Other securities .....					11.6
4.4. Use of trade credits .....	xxx			xxx	11.6
4.5. Repayments on trade credits .....		xxx	xxx		11.6
4.6. Drawings on loans .....	xxx		1.0	xxx	11.6
4.7. Repayments on loans .....		xxx	xxx	0.4	11.6
4.8. Other .....					11.7
5. Net credit or debit balance (1 through 4) .....			49.0		11

\* Either the total for item 2 should be entered in item 11.1 or the amount for each subitem should be entered in the respective item indicated in parentheses.

TABLE XII. PRIVATE SHORT-TERM FOREIGN ASSETS AND LIABILITIES

(Other Than Direct Investment)

Compiling Country IRAN

Period Covered 1942

Currency..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	This Return (1)	Last Return (2)	Increase or Decrease (-) (1-2) (3)	Adjustments (4)	Corrected Change (3+4) (5)	Transfer to Table A (Part 2) (6)
<b>Assets</b>						
1. Currency and bank deposits .....	...	8.0	...		...	12.1
2. Foreign central government securities .....						12.2
3. Trade credits .....						12.3
4. Other .....						12.4
5. Total (1 through 4) .....						12
<b>Liabilities</b>						
6. Trade credits .....						12.3
7. Other .....						12.4
8. Total (6 plus 7) .....						12

LE XIV. CENTRAL GOVERNMENT FOREIGN ASSETS AND LIABILITIES

Compiling Country IRAN

Period Covered 1972

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Assets (Net)		Liabilities (Net)		Transfer to Table A (Part 2) (5)
	Credit (decrease) (1)	Debit (increase) (2)	Credit (increase) (3)	Debit (decrease) (4)	
1. Long-term securities of central government (1.1 through 1.4)	xxx	xxx			
1.1. New issues abroad	xxx	xxx		xxx	14.1
1.2. Retirements abroad	xxx	xxx	xxx		14.1
1.3. Other transactions in issues abroad	xxx	xxx	xxx		14.1
1.4. Domestic issues	xxx	xxx			14.2
2. Foreign long-term securities (2.1 through 2.3)			xxx	xxx	14.2
2.1. International lending institutions			xxx	xxx	
2.2. Foreign central governments			xxx	xxx	
2.3. Other			xxx	xxx	
3. Short-term securities of central government (3.1 plus 3.2)	xxx	xxx			14.3
3.1. Foreign issues	xxx	xxx			
3.2. Domestic issues	xxx	xxx			
4. Foreign short-term securities			xxx	xxx	14.3
5. Drawings on long-term loans	xxx		19.1	xxx	14.4
6. Repayments on long-term loans (6.1 plus 6.2)		xxx	xxx	31.8	14.4
6.1. Contractual		xxx	xxx		
6.2. Noncontractual		xxx	xxx		
7. Other long-term (specify)					14.5
7.1. <u>Suppliers' credit</u>				26.3	
7.2.					
7.3.					
8. Other short-term (specify)					14.6
8.1. <u>U.S. gov't held holdings</u>				6.0	
8.2. <u>Subscription to non-monetary int'l org's</u>		0.9			
8.3.					
9. Net credit or debit balance (1 through 8)		0.9		45.0	14





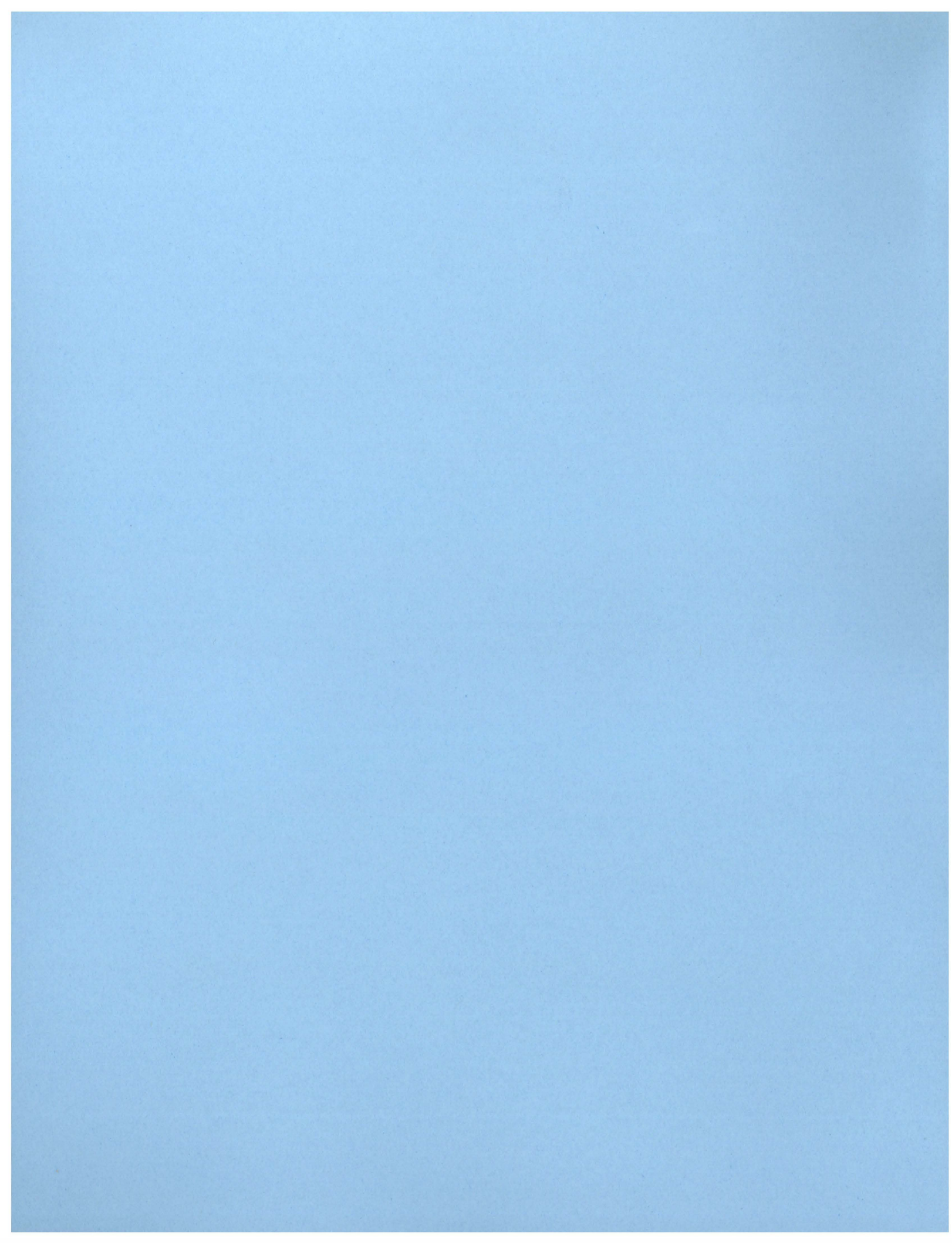




TABLE A. GLOBAL BALANCE OF PAYMENTS SUMMARY

Part 1: Goods and Services, and Transfer Payments

(Figures in millions of U.S. dollars)

Compiling Country IRAN

Period Covered 1341 (Year ended March 20, 1963)

Currency ..... Unit .....

Exchange Rate : US\$.....Per .....

Item	Table	Credit	Debit
A. Goods and Services (1 through 8) .....		997.8	1,011.5
1. Merchandise .....	I	936.0	542.3
1.1. Exports f.o.b., Imports <u>cif</u> .....		936.0	542.3
1.2. Other merchandise (net) .....		-	xxx
2. Nonmonetary gold .....	II	-	0.4
3. Freight and insurance on international shipments .....		1.5	-
3.1. Freight .....	III.A	-	-
3.2. Insurance .....	III.B	1.5	-
4. Other transportation .....	IV	5.7	6.8
4.1. Passenger fares .....		4.8	5.1
4.2. Time charters .....		-	1.7
4.3. Port expenditures .....		-	-
4.4. Other .....		0.9	-
5. Travel .....	V	7.0	32.5
6. Investment income .....	VI	2.2	356.5
6.1. Direct investment income .....		-	342.2
6.2. Other dividends .....		-	-
6.3. Other .....		2.2	14.3
7. Government, not included elsewhere .....	VII	26.0	34.5
7.1. Military transactions .....		-	-
7.2. Nonmilitary transactions .....		26.0	34.5
8. Other services .....	VIII	19.4	38.5
8.1. Nonmerchandise insurance .....		-	-
8.2. Other .....		19.4	38.5
Memorandum item: factor income (item 6 and part of items 7 and 8).....			
B. Transfer Payments (9 plus 10) .....		22.3	0.1
9. Private * .....	IX	6.0	0.1
9.1. To and from foreign governments .....		-	-
9.2. Other .....		6.0	0.1
10. Central government .....	X	16.3	-
10.1. Intergovernmental .....		12.9	-
10.2. Other .....		3.4	-

\* All residents other than the central government.

TABLE A. GLOBAL BALANCE OF PAYMENTS SUMMARY (continued)

Part 2: Movements of Capital and Monetary Gold

Compiling Country IRAN ..... Period Covered 1341 .....  
 Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Table	Assets		Liabilities	
		Credit	Debit	Credit	Debit
<b>C. Capital and Monetary Gold (11 through 16)</b>		<b>13.7</b>	<b>28.8</b>	<b>85.6</b>	<b>74.9</b>
11. Private † long-term (including all direct investment) .....	XI	-	-	16.2	0.1
11.1. Direct investment .....		-	-	16.0	-
11.2. Capital in associated enterprises .....		-	-	-	-
11.3. Other common stocks .....		-	-	-	-
11.4. Foreign central government securities .....		-	-	xxx	xxx
11.5. Other securities .....		-	-	-	-
11.6. Other loans and trade credits .....		-	-	0.2	0.1
11.7. Other assets and liabilities .....		-	-	-	-
12. Private † short-term (other than direct investment) .....	XII	-	1.0	-	-
12.1. Currency and bank deposits .....		-	1.0	xxx	xxx
12.2. Foreign central government securities .....		-	-	xxx	xxx
12.3. Trade credits .....		-	-	-	-
12.4. Other assets and liabilities .....		-	-	-	-
13. Local governments † .....	XIII	-	-	-	-
13.1. Issues abroad .....		xxx	xxx	-	-
13.2. Other securities .....		-	-	-	-
13.3. Other assets and liabilities .....		-	-	-	-
14. Central government † .....	XIV	-	0.9	63.2	54.3
14.1. Long-term issues abroad .....		xxx	xxx	-	-
14.2. Other long-term securities .....		-	-	-	-
14.3. Short-term securities .....		-	-	-	-
14.4. Long-term loans .....		-	-	59.2	35.1
14.5. Other long-term assets and liabilities .....		-	-	-	19.2
14.6. Other short-term assets and liabilities .....		-	0.9	4.0	-
15. Central monetary institutions .....	XV	-	26.9	0.8	20.5
15.1. Accounts with IMF .....		-	-	-	20.5
15.2. Marketable assets .....		-	7.2	xxx	xxx
15.3. Deposits .....		-	15.4	-	-
15.4. Loans .....		-	-	-	-
15.5. Other foreign assets and liabilities .....		-	4.2	0.8	-
15.6. Gold .....		-	0.1	xxx	xxx
16. Other monetary institutions .....	XVI	13.7	-	5.4	-
16.1. Marketable assets .....		-	-	xxx	xxx
16.2. Deposits .....		13.2	-	5.4	-
16.3. Loans .....		-	-	-	-
16.4. Other foreign assets and liabilities .....		-	-	-	-
16.5. Gold .....		0.5	-	xxx	xxx

† Excluding monetary institutions.

TABLE A. GLOBAL BALANCE OF PAYMENTS SUMMARY (concluded)

Part 3: Reconciliation of Part 1 and Part 2 \*

Compiling Country IRAN ..... Period Covered 1343 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
17. Goods and Services (1 through 8) .....	997.8	1,011.5
18. Transfer Payments (9 plus 10) .....	22.3	0.1
19. Foreign Assets and Monetary Gold (11 through 16, assets)	13.7	28.8
20. Foreign Liabilities (11 through 16, liabilities).....	85.6	74.9
21. Total Net Transactions (17 through 20).....	1,119.4	1,115.3
22. Net Errors and Omissions.....		4.1
23. Total (21 plus 22).....		

\* Part 3 of the Global Balance of Payments Summary (Table A) reconciles the transactions in goods and services, and transfer payments covered in Part 1 with the movements of capital and monetary gold covered in Part 2. For each of the principal accounts in Part 1 and Part 2, i.e., for goods and services (Part 1: items 1 through 8), for transfer payments (Part 1: items 9 plus 10), for foreign assets and monetary gold (Part 2: items 11 through 16, assets), and for foreign liabilities (Part 2: items 11 through 16, liabilities), a net credit or debit is transferred to Part 3, and the sum total of the net credits, on the one hand, and of the net debits, on the other, is entered in item 21, total net transactions. Finally, net errors and omissions (item 22) brings into balance the totals of the net transactions, so that the credits and debits, when entered in the total (item 23), are equal.

Errors and omissions are included in the reconciliation table (Part 3) on a net basis, since differences on account of incomplete, inaccurate, and inconsistent sources are likely to be at least partly offsetting. A credit entry in this item is the result of either a net understatement of recorded credits or a net overstatement of recorded debits; a debit entry is the result of either a net understatement of recorded debits or a net overstatement of recorded credits.

## TABLE I. MERCHANDISE TRANSACTIONS

Compiling Country IRAN .....

Period Covered 1341 .....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Trade as reported in <u>trade returns</u> (exports <u>f.o.b.</u> , imports <u>cif</u> ) .....	926.0	547.8
2. Adjustments for uniform valuation basis (2.1 through 2.4)		
2.1. Internal freight .....		
2.2. Internal insurance .....		
2.3. International freight .....		
2.4. International insurance .....		
3. Exports f.o.b., imports <u>cif</u> (1 plus 2) .....	926.0	547.8
4. Other valuation adjustments .....	10.0	
5. Coverage adjustments (5.1 plus 5.2) .....		
5.1. Additions .....		
5.2. Deductions (enter with minus sign) .....		-5.5
6. Timing adjustments (6.1 plus 6.2 or 6.3 plus 6.4) .....		
6.1. Domestically owned stocks held abroad * .....		
6.2. Foreign-owned stocks held in compiling country* .....		
6.3. Trade credits extended † .....		
6.4. Trade credits received † .....		
7. Total adjusted exports f.o.b., imports <u>cif</u> (3 through 6 = Table A, item 1.1) .....	936.0	542.3
8. Merchandise transactions abroad (Table A, item 1.2) .....		xxx

\* For trade data based on trade returns.

† For trade data based on exchange records.

TABLE II(a). NONMONETARY GOLD

Compiling Country IRAN .....

Period Covered 1341 .....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Thousands of Fine Ounces		Value	
	Credit	Debit	Credit	Debit
<b>Transactions of Nonmonetary Sectors</b>				
1. International sales (credit) and purchases (debit) of refined and unrefined gold .....				
2. International receipts (credit) and payments (debit) of refining fees .....	xxx	xxx		
3. Domestic sales to (credit) and purchases from (debit) monetary sectors of refined gold .....				0.4
4. Net transactions of nonmonetary sectors (balance of items 1, 2, and 3) .....				0.4
<b>Adjustments for Deviations from Par of Transactions of Monetary Sectors</b>				
5. International sales (credit) and purchases (debit) of refined gold .....				
6. Domestic sales to (credit) and purchases from (debit) nonmonetary sectors of refined gold .....				
7. Change in monetary gold holdings at transactions value (balance of items 5 and 6) .....				
8. Change in monetary gold holdings at par value (increase, credit; decrease, debit) .....	xxx	xxx		
9. Deviation of item 7 from par (balance of items 7 and 8) .....	xxx	xxx		
10. Nonmonetary gold (balance of items 4 and 9 and of items 11 and 12 = Table A, item 2) .....				0.4
<b>Sources (credit) and Uses (debit) of Nonmonetary Gold</b>				
11. Mine output .....		xxx	xxx	xxx
12. Net uses (balance of items 12.1-12.4) .....			xxx	xxx
12.1. Arts and industry .....			xxx	xxx
12.2. Mine inventories .....			xxx	xxx
12.3. Refiners' and dealers' inventories .....			xxx	xxx
12.4. Hoards .....			xxx	xxx

TABLE III.B. INSURANCE ON INTERNATIONAL SHIPMENTS

Compiling Country IRAN.....

Period Covered 1341.....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
<b>Insurance on F.O.B. Basis</b>		
1. Premiums (1.1 through 1.3) .....		
1.1. On imports .....	xxx	
1.2. On exports .....		xxx
1.3. Other .....		
2. Claims (2.1 through 2.3) .....		
2.1. On imports .....		
2.2. On exports .....		
2.3. Other .....		
3. Total (1 plus 2 = Table A, item 3.2).....		
4. Memorandum item: premiums on imports received by residents .....		xxx
<b>Insurance on C.I.F. Basis</b>		
5. Premiums (5.1 through 5.3) .....		
5.1. On imports .....		xxx
5.2. On exports .....		xxx
5.3. Other .....		
6. Claims (6.1 through 6.3) .....		
6.1. On imports .....	1.5	
6.2. On exports .....		
6.3. Other .....		
7. Total (5 plus 6 = Table A, item 3.2).....	1.5	

TABLE IV. OTHER TRANSPORTATION

Compiling Country IRAN.....

Period Covered 1341.....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Ocean Vessels		Aircraft	Other and Unallocated	Total
	Petroleum tankers	Other			
<b>Credit</b>					
1. Passenger fares .....			4.8		4.8
2. Time charters .....					
3. Port disbursements .....					
3.1. Bunker oil .....		0.9			0.9
3.2. Other .....					
4. Other (includes coastal shipping) .....					
5. Total (1 through 4 = Table A, item 4, credit)....		0.9	4.8		5.7
<b>Debit</b>					
6. Passenger fares .....			5.1		5.1
7. Time charters .....			1.7		1.7
8. Port disbursements .....					
8.1. Bunker oil .....					
8.2. Other .....					
9. Other (includes coastal shipping) .....					
10. Total (6 through 9 = Table A, item 4, debit) ....			6.8		6.8
<b>Memorandum Item</b>					
11. Fares received by domestic carriers from residents .....					

TABLE V. TRAVEL

Compiling Country IRAN.....

Period Covered 1341.....

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Tourists .....	6.5	12.5
2. Business travelers .....	0.2	
3. Students .....	0.1	20.0
4. Government officials .....	0.2	
5. Others .....		
6. Total (1 through 5 = Table A, item 5) .....	7.0	32.5
Alternative classification, if any:		
.....		
.....		
.....		
.....		
.....		
.....		



## TABLE VI. INVESTMENT INCOME

Compiling Country IRAN ..... Period Covered 1941 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Direct investment income (1.1 through 1.4 = Table A, item 6.1) .....		
1.1. Earnings of branches .....		342.2
1.2. Dividends .....		
1.3. Interest .....		
1.4. Undistributed corporate earnings .....		
2. Other dividends (Table A, item 6.2) .....		
3. Other interest (3.1 through 3.6: Table A, part of item 6.3) .....		
3.1. IMF charges .....	xxx	
3.2. International agencies .....		5.3
3.3. Intergovernmental loans .....		8.8
3.4. Other government obligations .....		
3.5. Deposits .....	2.2	
3.6. Other .....		0.2
4. Other (Table A, part of item 6.3) .....		
5. Total (1 through 4 = Table A, item 6) .....	2.2	356.5

TABLE VII. GOVERNMENT TRANSACTIONS, NOT INCLUDED ELSEWHERE\*

Compiling Country IRAN Period Covered 1941

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. Military transactions (1.1 through 1.6 = Table A, item 7.1) ....		
†1.1. Wage payments to local staff .....		
1.2. Contributions to common defense .....		
†1.3. Troop personal expenditures .....		
1.4. Other transactions of compiling country's military agencies .....		
1.5. Other transactions of foreign military agencies with compiling country's government .....		
1.6. Other transactions of foreign military agencies with other residents .....		
2. Nonmilitary transactions (2.1 through 2.5 = Table A, item 7.2) .....		
†2.1. Wage payments to local staff .....		
2.2. Services under aid programs .....		5.9
†2.3. Diplomatic personal expenditures .....	15.2	6.0
2.4. Other transactions of compiling country's government institutions .....	5.6	22.6
2.5. Other transactions of foreign government institutions with other residents .....	5.2	
3. Total (1 plus 2 = Table A, item 7) .....	26.0	34.5
4. Memorandum items		
†4.1. Factor income, (1.1 plus 2.1) .....		
4.2. Transactions of compiling country's government institutions (credit: total of credits of 1.2, 1.4, 1.5, 2.2, and 2.4; debit: total of debits of 1.1, 1.2, 1.4, 1.5, 2.1, 2.2, and 2.4) .....		
4.3. Common defense and occupation services .....		

\* Includes some transactions of government personnel for their own account (see General Note to Tables VII and VIII).

† Item specified for reconciliation with national accounts.

### TABLE VIII. OTHER SERVICES

Compiling Country IRAN.....

Period Covered 1341.....

Currency.....Unit .....

Exchange Rate: US\$.....Per.....

Item	Credit	Debit
1. Nonmerchandise insurance (1.1 through 1.4 = Table A, item 8.1) .....		
1.1. Premiums on direct insurance .....		
1.2. Claims on direct insurance .....		
1.3. Premiums on reinsurance .....		
1.4. Claims on reinsurance .....		
2. Other (2.1 through 2.12 = Table A, item 8.2) .....	19.4	38.5
2.1. Personal income .....		
2.2. Management fees .....		
2.3. Underwriters' commissions .....		
2.4. Agents' fees .....		
2.5. Construction activity .....		
2.6. Communications .....		
2.7. Advertising .....		
2.8. Subscriptions to press .....		
2.9. Film rentals .....		
2.10. Copyrights and patent royalties .....		
2.11. Real estate rentals .....		
2.12. Other .....		
3. Total (1 plus 2 = Table A, item 8) .....	19.4	38.5
*4. Memorandum item: factor income .....		

\*Item specified for reconciliation with national accounts.

## TABLE IX. PRIVATE\* TRANSFER PAYMENTS

Compiling Country IRAN ..... Period Covered 1341 .....

Currency ..... Unit ..... Exchange Rate: US\$ ..... Per .....

Item	Credit	Debit
1. To and from foreign governments (1.1 through 1.4 = Table A, item 9.1) .....		
1.1. Income taxes .....		
1.2. Other taxes and fees .....		
1.3. Noncontractual pensions .....		xxx
1.4. Other .....		
2. Other (2.1 through 2.3 = Table A, item 9.2) .....		
2.1. Institutional in cash .....		
2.2. Institutional in kind .....	5.0	
2.3. Other .....	1.0	0.1
3. Total (1 plus 2 = Table A, item 9) .....	6.0	0.1

\*All residents other than the central government.

TABLE X. CENTRAL GOVERNMENT TRANSFER PAYMENTS

Compiling Country IRAN

Period Covered 1341

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Credit				Debit			
	Cash	Merchandise	Other	Total	Cash	Merchandise	Other	Total
1. Intergovernmental (1.1 through 1.6 = Table A, item 10.1) .....								
1.1. Reparations .....								
1.2. Military direct grants .....								
1.3. Military offshore grants .....	xxx				xxx			
1.4. Other direct grants, <u>U.S.A.</u> .....				12.9				
1.5. Other offshore grants .....	xxx				xxx			
1.6. Other .....								
2. Other (2.1 through 2.3 = Table A, item 10.2) .....								
2.1. Grants .....								
2.2. Taxes .....		xxx	xxx			xxx	xxx	
2.3. Other, <u>U.N.</u> .....				3.4				
3. Total (1 plus 2 = Table A, item 10) .....				16.3				

TABLE XI. PRIVATE LONG-TERM FOREIGN ASSETS AND LIABILITIES

(Including All Direct Investment)

Compiling Country IRAN

Period Covered 1941

Currency ..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	Assets (Net)		Liabilities (Net)		Transfer to Table A (Part 2) (5)
	Credit (decrease) (1)	Debit (increase) (2)	Credit (increase) (3)	Debit (decrease) (4)	
1. Direct investment capital (1.1 through 1.5) .....					11.1
1.1. Net investment in branches .....			16.0		
1.2. Common stocks .....					
1.3. Other securities .....					
1.4. Other intercompany debts .....					
1.5. Undistributed earnings .....					
2. Other capital in direct investment enterprises (2.1 through 2.4) .....					11.1*
2.1. Common stocks .....					(11.3)*
2.2. Other securities .....					(11.5)*
2.3. Loans .....					(11.6)*
2.4. Undistributed earnings .....					(no entry)*
3. Capital in associated enterprises (3.1 through 3.4) .....					11.2
3.1. Common stocks .....					
3.2. Other securities .....					
3.3. Loans .....					
3.4. Other .....					
4. Other .....					
4.1. Common stocks .....					11.3
4.2. Foreign central government securities .....			xxx	xxx	11.4
4.3. Other securities .....					11.5
4.4. Use of trade credits .....	xxx			xxx	11.6
4.5. Repayments on trade credits .....		xxx	xxx		11.6
4.6. Drawings on loans .....	xxx		0.2	xxx	11.6
4.7. Repayments on loans .....		xxx	xxx	0.1	11.6
4.8. Other .....					11.7
5. Net credit or debit balance (1 through 4) .....			16.1		11

\* Either the total for item 2 should be entered in item 11.1 or the amount for each subitem should be entered in the respective item indicated in parentheses.

TABLE XII. PRIVATE SHORT-TERM FOREIGN ASSETS AND LIABILITIES

(Other Than Direct Investment)

Compiling Country IRAN .....

Period Covered 1941 .....

Currency..... Unit .....

Exchange Rate: US\$ ..... Per .....

Item	This Return (1)	Last Return (2)	Increase or Decrease (-) (1-2) (3)	Adjustments (4)	Corrected Change (3+4) (5)	Transfer to Table A (Part 2) (6)
<b>Assets</b>						
1. Currency and bank deposits .....	8.0	7.0	1.0	-	1.0	12.1
2. Foreign central government securities .....						12.2
3. Trade credits .....						12.3
4. Other .....						12.4
5. Total (1 through 4) .....	8.0	7.0	1.0	-	1.0	12
<b>Liabilities</b>						
6. Trade credits .....						12.3
7. Other .....						12.4
8. Total (6 plus 7) .....						12

LE XIV. CENTRAL GOVERNMENT . . . REIGN ASSETS AND LIABILITIES

Compiling Country JAPAN

Period Covered 1941

Currency ..... Unit .....

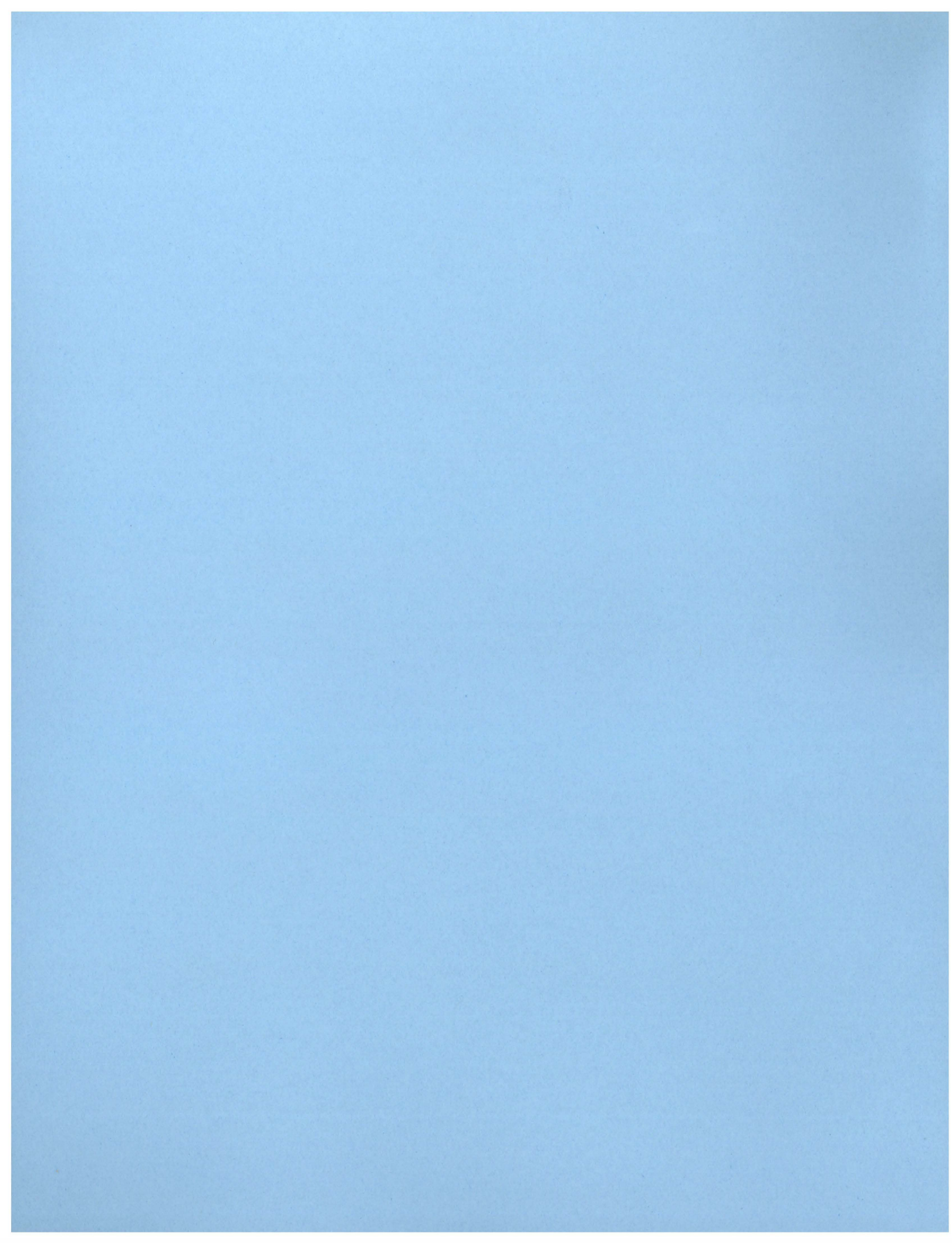
Exchange Rate: US\$ ..... Per .....

Item	Assets (Net)		Liabilities (Net)		Transfer to Table A (Part 2) (5)
	Credit (decrease) (1)	Debit (increase) (2)	Credit (increase) (3)	Debit (decrease) (4)	
1. Long-term securities of central government(1.1 through 1.4)	xxx	xxx			
1.1. New issues abroad .....	xxx	xxx		xxx	14.1
1.2. Retirements abroad .....	xxx	xxx	xxx		14.1
1.3. Other transactions in issues abroad .....	xxx	xxx	xxx		14.1
1.4. Domestic issues .....	xxx	xxx			14.2
2. Foreign long-term securities (2.1 through 2.3) .....			xxx	xxx	14.2
2.1. International lending institutions .....			xxx	xxx	
2.2. Foreign central governments .....			xxx	xxx	
2.3. Other .....			xxx	xxx	
3. Short-term securities of central government (3.1 plus 3.2) .....	xxx	xxx			14.3
3.1. Foreign issues .....	xxx	xxx			
3.2. Domestic issues .....	xxx	xxx			
4. Foreign short-term securities .....			xxx	xxx	14.3
5. Drawings on long-term loans .....	xxx		59.2	xxx	14.4
6. Repayments on long-term loans (6.1 plus 6.2) .....		xxx	xxx	35.1	14.4
6.1. Contractual .....		xxx	xxx		
6.2. Noncontractual .....		xxx	xxx		
7. Other long-term (specify) .....					14.5
7.1. ....				19.2	
7.2. ....					
7.3. ....					
8. Other short-term (specify) .....					14.6
8.1. <i>U.S. gov't rial holdings</i>			4.0		
8.2. <i>Subscription to non-monetary int'l org's</i>		0.9			
8.3. ....					
9. Net credit or debit balance (1 through 8) .....		0.9	8.9		14









# Bank Markazi Iran

(The Central Bank of Iran)

217980  
217980

CABLES: MARKAZBANK

Tehran, September 11, 1965

Res. No. 2662

F.S

Dear Mr. Lynn:

I just received your letter of September 3, and take pleasure to forward to you the data listed below for the October issue of the IFS. Unfortunately I am not this year attending the Annual Meeting due to the pressure of work here in the Bank.

I am at present revising the balance of payments for the years to March 1965, 1964 and 1963, and will later be revising the statements for the calendar years 1964 and 1963. May I therefore request you to refrain from publishing the 1964 balance of payments of Iran for a couple of months.

- Summary of banks' assets and liabilities, July 1965.
- Note issue, deposits and advances, July 1965.
- Iranian foreign trade, June 1965.
- Bank Markazi Iran financial statement, June, July, August 1965.

Please also note that the deposit money banks' exchange holdings amounted to \$25.2 million as at August 22, 1965. Bank Melli Iran gold holdings were gramms 246,030 valued at \$277 thousand on the above date.

P.S. The CBI monthly statement is no longer published in English.

Yours sincerely,

*C. Towfiq*  
Cyrus Towfiq  
Deputy Director  
Research Department

Mr. Fred Lynn, Editor,  
Bureau of Statistics,  
International Monetary Fund,  
Washington D.C. 20431

9/15  
cc of etc;  
Mr. Lynn  
Mr. Jaramelo  
cc of etc. + orig. encl;  
Mr. Sanchez  
Miss Yndurana  
Mrs. Jones

*Bank Markazi Iran*  
(The Central Bank of Iran)

217866

JA  
~~OS~~  
UD

Tehran, Sep. 8, 1965

Res. No. 2623 AS.

CABLES: MARKAZBANK

no ack  
us

Dear Mr. Smith:

As you are aware, my colleague, Mr. Mazhari, is now attending a Fund course in the Balance of Payments technique. Mr. Shahidi and I are at present preparing the report for the Iranian year 1343 (Year to March 1965) and revising the years 1342 and 1341. This job, including filling in the forms sent by you, will take us about three weeks from to-day due to my other responsibilities in the Research Department. I hope that this delay will not upset your schedule.

Sincerely yours,

*C. Towfiq*  
Cyrus Towfiq,

Deputy Director, Research Department

Mr. Jhon S. Smith,  
Chief, Balance of Payments Division,  
International Monetary Fund.  
Washington D.C. 20431

RECEIVED  
INTERNATIONAL  
MONETARY FUND  
SEP 13 3 14 PM '65  
COMMUNICATIONS  
DIVISION

