The Emergence of Iran in the World Car Industry: An Estimation of its Export Potential

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1. INTRODUCTION

In the last decade, the Iranian auto industry has experienced an exceptional growth rate since production has been multiplied by 10. As a result, Iran has recently been placed in the top 20 country car producers in the world. At the same time, Iranian car exports have also taken off. As a result, the auto industry now plays a central role in Iranian non-petroleum exports. However, relative to production, the Iranian export level still remains very low. This gap between production and export can be explained by several reasons, such as the attractive domestic market, high protection levels as well as weak international marketing programmes. The reforms recently undertaken by the Iranian government to liberalise the auto industry, together with the recent efforts made by the Iranian automakers to increase their competitiveness, are expected to lead to a strong increase in the Iranian export levels in the future.

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1 The Iranian automotive industry started in the early 1960s. In 1962, some Iranian entrepreneurs established the Khodro's factory aimed primarily at producing the body of Benz automobiles in Iran. Starting with the assembly of the Hunter automobile in 1966, the factory purchased its production plant in 1979 to manufacture ‘Paykan’, which was produced until 2005 as the Iranian national car. Now, Iran Khodro and Saipa (as the main Iranian automakers) with over 25 other automakers produce a wide range of automobiles including motorbikes, passenger cars, vans, mini trucks, medium-sized trucks, heavy-duty trucks, minibuses, large-size buses and other heavy automobiles used in commercial and private activities in the country.

2 In 2006, the auto sector attained the first position in Iranian non-petroleum exports (http://www.iscanews.ir).

3 Indeed, high import tariffs lead to an increase in domestic prices, which in turn reduce the export competitiveness (anti-export bias).