

## THE ROLE OF THE *NAMAYANDE* IN IRAN'S TEXTILE INDUSTRY

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### INTRODUCTION

**T**HE Iranian textile industry still remains important as one of the largest sources of employment within the non-petroleum sector, although it no longer plays the large role it used to in the country's economy, and its modernization is no longer a major issue in government industrial policy (having been replaced by petroleum as the economy's primary industry).

According to statistics from 1994, there were more than forty thousand firms operating in the Iranian textile industry at that time; 96 per cent were small-scale enterprises employing less than ten workers; and of the remaining 1,753 textile companies (including the 120 state-owned enterprises) that employed ten workers or more, nearly 1,400 had less than fifty workers (MAI 1997, pp. 171, 173). Statistics from 1990 indicate that over 50 per cent of the annual output in the industry is produced by firms employing less than fifty workers (MAI 1995, p. 184).<sup>1</sup> In short, Iran's textile industry is overwhelmingly dominated by privately owned small and medium-sized firms.

Another feature of the industry is that most of these smaller firms are not affiliated with large-scale firms as subcontractors. Horizontal interaction among the firms is also very weak except among some of the private small-scale firms which have joined government-organized cooperatives. Large-scale firms confiscated at the time of the Islamic Revolution have been put under the government's collective control.<sup>2</sup>

The subject of this study are middlemen known as *namayande* in the Iranian tex-

<sup>1</sup> In this source, textiles, leather ware, and apparel are combined under the same category.

<sup>2</sup> Following the Islamic Revolution, large-scale enterprises were brought together under the National Iranian Industries Organization (Sazman-e sanaye'-e melli-ye Iran) while small and medium-sized enterprises were organized by industry into cooperatives, so that they work with the Centres for Procurement and Distribution (Marakez-e tahiye o towzi'-e kala) which undertake the bulk purchasing of all needed materials and machinery. Business groups for private firms in the textile industry (such as the Association of Textile Industries of Iran), which have been important in the exchange of information and publication of journals since the pre-revolutionary period, have continued to exist, but the size of their memberships has been limited.

tile industry who play a very important role in the operations of the innumerable small and medium-sized firms. When private textile firms import materials from abroad, *namayande* make the connection between them and foreign sellers. These middlemen are not the local sales agents of foreign companies as is usually the case; rather the *namayande* specialize in purchasing goods for local buyers.

The author first learned of the existence of the *namayande* while in Iran undertaking a study of the textile industry. At that time these middlemen were pointed out by foreign businessmen as the ones "whom they had to work through in order to do business in Iran."<sup>3</sup> Although the *namayande* seems like simply a trader in the Iranian textile industry which depends on imports for much of its materials and machinery, he does not himself handle the sales of the actual goods. What attracted the author's interest is the fact that when buying materials, local companies are averse to dealing directly with foreign sellers; they prefer working through the *namayande*. Moreover, many foreign traders working in Iran point out that middlemen who function like the *namayande* cannot be found in other neighboring areas such as Turkey. This suggests the possibility that this type of middleman exists only in Iran which also piqued the author's interest.

Although in most cases the volume of purchases by private textile firms is comparatively small;<sup>4</sup> and the volume of transactions the *namayande* handle is not particularly large, they have played an extremely important role in the operation of private firms both before and since the Islamic Revolution. The aim of this study is to describe as thoroughly as possible the activities of the *namayande* and to analyze their basic functions. This study will also point out some of the reasons why the *namayande* exist, and it will examine the present state of Iran's textile industry along with the particular management problems found within the firms' operations.

Over the years research on the Iranian economy has focused primarily on the development of the petroleum industry and its multiplier effect, or has dealt with the problem of industrialization through the efficient distribution of oil revenues. In recent years, however, the limitations and harmful effects of an oil-dependent economy has been noted, and there has been a reexamination of the role of non-petroleum industries in the economic development process. Despite this, research on traditional local industries such as textiles remains extremely insufficient, and the distribution systems within these industries are likewise still not well investigated. Thus this study can also contribute to this area of research on Iran.

<sup>3</sup> Interview with [10] on the list of interviews (Appendix).

<sup>4</sup> The firms a *namayande* deals with can vary in size. There are some *namayande* who deal only with large-scale firms (interviews with [1] and [2]). But generally the relatively small firms need more of the information provided by the *namayande*, therefore most of his clients are small and medium-sized. At the time of the author's fieldwork, large-scale firms confiscated following the revolution were not permitted to contract with intermediaries like the *namayande*. This was another possible reason why most of their client firms were not very large.

The author's research for this study is based on interviews and field trips which took place in Tehran and its surrounding regions from February 1994 to February 1995, then from December 1995 to January 1996 and again in November of 1996. The business methods of the *namayande* were examined mainly with the cooperation of Mr. J, a *namayande* residing in Tehran and who has been in business since the 1960s. Most of the research on the basic business methods of the *namayande* was carried out at Mr. J's office and at his home. The author has tried as much as possible to provide a picture of *namayande* in general and not to note certain characteristics that seem to be particular to Mr. J himself, and yet the description presented in this study should not be considered as applicable to all *namayande* working with textile firms who are said to number several hundred.<sup>5</sup> The author has supplemented this on-site research with information from the Chamber of Commerce, Industries and Mines, the Statistical Centre of Iran, the Ministry of Commerce, the Ministry of Industries, and various organizations attached to these ministries, plus interviews with other *namayande*; along with these were visits to inspect factories in Tehran and its surrounding regions. The major interviews used as references in this study are listed by number in Appendix below; the interviewees are indicated by initial along with the date(s) of the interview(s). The interview numbers are used in the footnotes. Information on *namayande* business methods which is not footnoted is based on interviews and observations at the office of Mr. J (who is No. [1] on the list of interviewees). Where the same information was provided by other interviewees as well, their numbers are shown along with J's number.

## I. WHAT IS THE *NAMAYANDE*

*Namayande* is a Persian word meaning representative or agent.<sup>6</sup> In present-day Iran, the intermediaries who stand between local firms and foreign companies in business transactions, whether the intermediaries be Iranian individuals or the agencies of foreign companies selling products in Iran, are known as *namayande*. They are called *namayande* basically because they function as the representatives or agents for buyers and sellers in transactions.

<sup>5</sup> The actual number of *namayande* working with textile firms is not known. Even the registration bureau of the Tehran chamber of commerce does not know the number. This is because when a *namayande* registers, he reports only the corporate name (e.g., such-and-such trading company, such-and-such import-export agency); no details are recorded about the content of his business (interview with [9]). However, their number does not appear to be so great, a few hundred at most. One reason for supposing this is that a single *namayande* can have 100 to 300 (regular and temporary) clients (interviews with [1] and [2]). If on average a *namayande* has 200 regular clients, and there are some forty thousand textile firms in Iran, that would mean there are roughly a couple hundred *namayande* in the industry.

<sup>6</sup> For example, members of Iran's national assembly are also called *namayande*.

### 1. *The legal standing of namayande*

Under Iran's existing commercial law, intermediaries are divided into a number of categories. The *namayande* fall under the category of intermediaries known as *dallal*. Iranian commercial law defines a *dallal* as: "a person who for a service fee intermediates the execution of business transactions or who finds customers for people wanting to transact business" (Article 335) (Qorbani 1993/94, p. 200). A point to note is that when executing their intermediation, the *dallal* themselves as a principle do not deal in any goods. They do not bear the risks involved in the actual trading of goods, and the rights to the possession of goods are not transferred through the *dallal*. Intermediaries who handle the buying and selling of goods as agents representing the actual parties in a transaction are legally differentiated from the *dallal*.

Intermediaries classified by the law as *dallal* are divided by custom into two categories. One is made up of middlemen known as *vasete* or *dallal* who only intermediate in transactions between domestic enterprises. The other category is the *namayande* who intermediate in transactions with foreign companies, as already pointed out, and who are the subject of this study. Thus in common usage, *dallal* are identified with the former category (*vasete*) and not with the latter, although legally both fall into the same category.

The *namayande* themselves can be separated into two types: those who assist foreign sellers in their sales activities in the domestic market, and those who assist local buyers who want to purchase goods from abroad.<sup>7</sup> The separation between these two types is by no means strict, but at the time of any given transaction, it is basically clear whether a *namayande* is representing the seller or the buyer. This study will examine the *namayande* of the second type, those who act as agents for local private firms and assist in the purchasing of goods from abroad. Hereafter everything concerning *namayande* is to be understood as meaning this type, and confined specifically to the textile industry.

According to Mr. J, the *namayande* as seen in Iran today appeared after World War II. Their names are now registered with the Tehran chamber of commerce,<sup>8</sup> but they are not recorded as *namayande*, rather they are registered as *dallal* or as trading companies. They cannot get approval to do business if they have a criminal record, and they have to submit certain documents and meet particular requirements to set up an office. The chamber of commerce is a semi-private organization under the Ministry of Commerce, and *namayande* are required to pay the chamber an annual membership fee.<sup>9</sup>

<sup>7</sup> Interview with [12].

<sup>8</sup> Interviews with [1] and [10]

<sup>9</sup> Interview with [9]

## 2. *Namayande* business activities

The principal role of the *namayande* is as an agent for private companies, mostly small and medium-sized firms, who want to purchase machinery or materials such as threads, dyes, and fabrics from foreign companies. The *namayande* conduct negotiations with the foreign companies in compliance with the demands of their domestic clients. There are *namayande* functioning as intermediaries in every sector of the textile industry.

The *namayande* regularly collect information on who wants to buy or sell how much of what at what price. They provide this information to both buyers and sellers, carry out the negotiations, get pro-forma, then after the transactions have been completed, they receive from both parties several per cent of the value of the transaction as a service fee.<sup>10</sup> It seems that the reason why a *namayande* can receive a fee from both parties even though he is the purchasing agent for the buyer is because most local firms buy foreign products only through their own particular *namayande*, and this puts him in a position where he can demand a fee from the seller as well. Thus when a foreign company tries to sell a product to a local firm, the latter will enter into a transaction only through the *namayande* whom the owner of a firm himself recognizes as his agent. This means that the foreign company cannot sell its product directly to the local firm. There are a great number of small and medium-sized firms in Iran's textile industry that operate this way.<sup>11</sup>

These firms give several reasons why they want to work through *namayande*.<sup>12</sup> One is the language problem; it is difficult to transact business directly with foreign companies. Another reason is that it is cheaper to deal through their *namayande* than set up a section for handling importing within the firm. A third reason is that should trouble arise in a transaction, a company has its *namayande* on hand to take care of any ensuing problems. Beyond these reasons firms also say that the long years of association with their *namayande* guarantees a relationship of mutual trust when dealing with a foreign company with whom they can hardly expect to develop such a relationship. Thus even if a foreign company has had a number of past dealings with a local firm, it will have to continue doing its business through the recognized *namayande*, and for this reason the *namayande* can ask foreign companies for a service fee as well.

However, foreign companies also can find it useful to work through the *namayande* because it saves a foreign company the need to contact numerous small firms and collect a large number of small-lot orders. And when undertaking com-

<sup>10</sup> The percentage varies depending on the kind of commodity imported and the method of delivery: 1 per cent for bulk purchases of standard commodities; 3 per cent for large-size machinery that is difficult to transport; several per cent more for products imported for experimental purposes; etc.

<sup>11</sup> Interviews with [1] and [10].

<sup>12</sup> Interview with [6].

paratively large-lot transactions, foreign companies can gauge the reliability of customers who have few problems, such as collecting payments, if introduced by *namayande*.<sup>13</sup>

### 3. *Information provided by the namayande*

Besides their basic business as agents, when intermediating transactions the *namayande* also provide their clients (usually local buyers) with specific kinds of information. One kind is basic information on products that clients want to buy, such as the prices, quality, and distributors of the products. Some of the most important information for small and medium-sized private firms is where they can find the quantity of the goods they want to buy at how cheap a price, and the acquisition of such information depends on the skill and ability of their *namayande*.

The *namayande* also have to be up to date on technology and know about the latest developments in textile products and machinery. For this reason they now commonly specialize in areas such as production machinery or threads and fibers although it is usual for a *namayande* to specialize in several areas.

The *namayande* also provide information on the current economy such as the size of the annual cotton harvest and the current price of crude oil which affects the size of the government's foreign exchange reserves. They also provide information on revisions in government laws and regulations affecting the importing business. The fact that the *namayande* keeps his clients informed about this sort of noneconomic information, especially in Iran where the regulations are very often revised,<sup>14</sup> can be a great help in softening the impact on small and medium-sized firms.

Yet another important kind of information the *namayande* can provide is technical understanding about business transactions. If a client asks about methods of payment, ways of transporting, or other such matters, the *namayande* can provide the know-how for these prior to the contract. To give an example, the owner of a company says to his *namayande*, "I would like to import this particular commodity, process it in my company, then export the product." The *namayande* will then find out what regulations affect the importation of that commodity, what would be the cheapest way to transport it, suggest someone who might be good to work

<sup>13</sup> Interview with [11].

<sup>14</sup> A case in point are the 125 revisions to the laws and regulations concerning importing announced during 1373 (Iranian calendar, March 1994–March 1995). These are only the revisions that seem to affect importing directly and concern such matters as customs rates on different kinds of imported commodities, import-export treaties, and agreements with other countries in the region, central bank notifications, and the like. Among these revisions were nine regulations concerning the application of the import-export law. Besides these, an immense number of new regulations and notices have been announced practically on a daily basis. They can all be found in the official gazette, but there are so many that it is difficult to check them completely. Such official information is now being organized and categorized by private information research companies and being provided to their customers. This study relied on MEFI 1994–95.

together with in the venture, and introduce an import-export agent from among his own clientele.<sup>15</sup>

All of this information is provided to the client free of charge. Only after the transaction has been brought about does the *namayande* collect a fixed portion of the value of the transaction from both parties as his service fee.

#### 4. *Namayande's methods of collecting information*

Basic information on commodities, market prices, exchange rates, and the like can be obtained from business magazines, specialized journals and other forms of domestic and foreign media. Also *namayande* themselves or members of their office staff often travel abroad to collect information; and if the *namayande* is a large-scale operator, he can maintain overseas offices for collecting information and keeping track of product development, trends in raw material prices, what the major foreign companies are doing, and other pertinent matters. However, the size of *namayande* business operations is normally not very large. A usual office will be headed by the *namayande* with a few people working under him. There are those with a domestic office employing a dozen or more people and with permanent overseas offices staffed by Iranians, but these large-scale operators are exceptions.

The *namayande* are responsible for analyzing the information coming from abroad. Being greatly dependent on imported thread, dyes, and machinery,<sup>16</sup> it is very important for Iran's textile industry to be well informed about developments in overseas businesses. The *namayande* have the long years of experience and the accumulated information, and for this reason many firms rely on their judgement.

Regarding noneconomic information mentioned above, the *namayande* rely on their connections with friends and acquaintances in the government administration

<sup>15</sup> The major clients of the *namayande* are the textile firms, but sometimes there are import-export dealers who handle textile products. These are traders without experience in dealing with foreign companies (who can be textile manufacturers, trading companies, or their local distributors), and they entrust their intermediary needs to *namayande*.

<sup>16</sup> From published data it is virtually impossible to measure in any accurate way the extent of the Iranian textile industry's dependence on imported materials. But even rough estimates indicate that for both of the years 1993 and 1994, imported materials (e.g., natural and synthetic fibers, thread, chemical dyes) accounted for at least 35–36 per cent of the annual value of inputs by the textile industry. However, it seems that this annual value of inputs includes the value of thread, fabrics, and other imported materials used in domestically produced intermediate inputs. It also seems that there are materials included in these inputs that do not fall into the category of imports related to the textile industry. All of these uncertainties can affect the real figures. But in any case it would seem that the above annual value is on the low side and that the real figure is larger. The situation is the same for textile machinery; there is no detailed data on the value of imports and inputs, and these figures cannot be calculated. However, most of the machinery in use, from the spinning stage through weaving, dyeing, and up to patterning, is made in Europe and Japan (MAI 1996, p. 171, pp. 258–59; MAI 1997, pp. 178–79, pp. 282–83). Participants at the Iranian government-sponsored seminar, "Investigation of problems in the textile industry," also pointed out the industry's overdependence on imported materials and machinery (OBSM 1983).

to find out about new policies affecting the textile industry and how these are to be enforced. They also keep in regular contact with the chamber of commerce and other business organizations to collect relevant information. If a *namayande* has graduated from a school of higher education, he could have connections with former schoolmates in the ministries and offices of the government. The longer a *namayande's* experience and the better he is known in business circles, the more readily he can obtain information.

##### 5. *The namayande and his clients*

The greater part of the *namayande's* activities is taken up with information collecting as stated above. But another activity to which he has to give considerable time is contacting regularly with clients. In order to keep his business running, a *namayande* usually builds up a regular clientele in the areas of his specialization through his capacity to provide information, and he is continually working to procure the information about his own clients. Most of these regular clients have a personal acquaintanceship with the *namayande*. They are old school friends, former fellow soldiers, childhood friends, relatives, or people whom these friends and acquaintances have introduced. In most cases these clients do their purchasing through a particular *namayande* or several *namayande* whom they have known for years.<sup>17</sup> Besides these regular clients, there are some temporary clients who suddenly need the help of a *namayande* because of changes in government import-export policies.

Generally speaking, one does not see the child of a *namayande* taking over his father's clientele and becoming a *namayande*. This is because the relationships of a *namayande* with his clients have been built up individually over many years of personal acquaintance. Most often when a *namayande* retires, one of his staff who has been working with him for many years will take over some of the clients and set up his own *namayande* business.<sup>18</sup>

Keeping in close contact with clients, particularly regular clients, plays an important role in building relationships of trust for both the *namayande* and his clientele. From what the author observed, as noted earlier, most of the time these relationships are on a personal basis. The *namayande* will phone clients once a month, and in the case of close clients as often as once a week. He will visit his Tehran clients directly. For about thirty minutes the two will chat over tea as the *namayande* inquires how his client is faring and maybe even gives some advice if the client is having a problem with his business. The *namayande* keeps the same sort of regular contacts even with clients who do not expect at the moment to have any direct business with foreign companies. Clients also pay friendly visits on the *namayande* for the sake of business relations and when they want to get the latest

<sup>17</sup> Interview with [5].

<sup>18</sup> Interviews with [1] and [4].



information about developments in the industry. Through these sorts of regular contacts the *namayande* reinforces his ties with his regular clients, and they in turn are important in helping him develop contacts with new clients. *Namayande* can get information from the chamber of commerce about newly registered companies and firms, and use this to build up connections with new clients. But by and large they gain new clients through introductions from their old regular clientele. For this reason, calling on a client and "asking after his health" (*ahval-porsi*) is one of the important business activities of every *namayande*.

From the above description it can be seen that the primary part of a *namayande*'s business activities is collecting information and keeping up with the state of his clients' business affairs. How well a *namayande* can carry on this important part of his business is determined greatly by his own individual ability. He needs to be proficient in foreign languages and have an extensive network of contacts for collecting information. Also important for gaining the long-standing personal trust of clients is a certain degree of social respectability, and here it is helpful if the *namayande* is a devout Muslim or has a higher education. Also useful for strengthening *namayande*-client ties is coming from the same home district and speaking the same local language. One *namayande*, for example, who came from Tabriz and spoke Azari as his native language had a clientele of whom more than 70 per cent also spoke Azari as their native language.<sup>19</sup> In such ways the *namayande* depend on their close personal ties with the owners of local private firms, and undertake the purchasing of foreign products and materials on the latter's behalf.

## II. THE NAMAYANDE'S FUNCTIONS

This section will examine in more detail the daily activities of the *namayande*, and point out the three important functions they perform. The first of these is the all-important and indispensable function of intermediating between local buyers and foreign sellers. The *namayande* works as an agent at the request of small and medium-sized firms to find appropriate sellers who can meet the demands of these firms. This is the first and foremost function without which no relationship between firm and *namayande* could exist.

The second function is the *namayande*'s role as a management consultant to small and medium-sized private firms. This is a secondary function he carries out in the course of performing his first function. As mentioned at the beginning of this study, the great majority of textile firms in Iran are small and medium-sized. Even very small firms operated by a few workers including the owner are normally not subcontractors (in most cases large-scale firms employing a thousand or more people do not have any subcontractors). Owners of these small-scale firms operate in

<sup>19</sup> Interviews with [1] and [2].

accordance with their own individual plans and policies. It is not unusual for even small and medium-sized firms to carry on business regularly with foreign companies for the import of materials and the export of manufactured goods. For company owners, the state of the world cotton market, the trends in the consumption of textile products, and other such information are important in helping them decide what to produce.

But it is difficult to constantly collect this sort of information at the actual site of production. Considering the manpower, costs, and trained personnel needed, it is not practical for each firm to collect such information individually. And beyond the collecting, very often the ordinary owner of a firm does not have the ability to understand or analyze the information.

As stated in Section I, the information a *namayande* provides also includes its analysis. He collects information from around the world on the products that his clients need, and he may even advise them on what products are worth buying. He can even offer advice on how to improve the quality of their products, and suggest what types of product and how many to produce (although this sort of *namayande* involvement in production is quite rare). *Namayande* will also exchange information constantly with bazaar merchants to find out about the trends of demand for the current year. These merchants might make such comments as: "Nylon will not sell anymore this year," or "black shirts are in excess supply prior to Ashura,"<sup>20</sup> or "cotton goods are in short supply"; and the *namayande* can advise his clients that they "should purchase a certain color of thread," or "should not produce this and that product for a time." The *namayande*'s suggestions are only for the very short term, nevertheless his clients rely on them to guide their decision making.

At the time of the actual importing of a commodity, the *namayande* carefully guides his client through the intricate process of payments and shipment technicalities, and in some cases he will complete these complicated procedures on behalf of his client. This is another important service the *namayande* provides as a management consultant.

The *namayande*'s third important function is adjusting transactions to balance the needs of his clients with those of the foreign sellers. Like the second function, this too is a secondary one. Many of the textile firms in Iran depend on imports for part of their materials. These firms are always looking for the best quality at the cheapest price. The more foreign companies there are in transactions the greater the choice of goods. At the same time foreign companies trading in Iran are always seeking to expand their share of sales. As the *namayande* works to balance the buyer's demands with the seller's marketing needs, there are times when he has to gauge how much of what should be bought by what firm from whom.

<sup>20</sup> In Iran, at the time of "Ashura," which is a religious event of Shi'a Muslims, it is the practice for believers to wear black clothes in mourning the martyrdom of Hussein.

It should be noted that in business transactions the *namayande* is basically on the side of the buyer. When balancing the requirements of both sides, the *namayande* is working to prevent the sellers from being monopolistic and oligopolistic, and to secure the involvement of the greatest number of sellers. To do this he recommends the purchase of different products and materials to different buyers in a way that buyers do not concentrate on one product of one company, or he recommends clients to adjust the quantity of their production output.

This balancing of buyers and sellers needs is based on the short term prospect of the *namayande*. He is not concerned about managing demand for the textiles industry as a whole. But in Iran's textile business where foreign sellers market a substantial portion of the needed materials, the *namayande's* adjustments of purchases and sales work to prevent a relationship between buyer and seller from becoming fixed, and this is advantageous in assuring a broad range of choices for the buyers. As a result, this way of working through the *namayande* provides the textile companies with a more efficient system for making purchases (i.e., having the largest possible number of sellers to choose from). And for the *namayande*, this third function of adjusting and balancing transactions assures the continuation of his own business opportunities.

### III. THE *NAMAYANDE* AND IRAN'S BUSINESS ENVIRONMENT

This section will examine the business environment that requires the existence of a *namayande*-type middleman and which induces such close ties between him and his clients. As stated in the previous section, the *namayande's* primary function is acting as an agent for private small and medium-sized firms when purchasing materials from abroad. But this is not all he does. He also functions as a management consultant for his client firms and acts as a mechanism for adjusting and balancing transactions between his clients and foreign sellers. It is noteworthy that though standing outside of the company, the *namayande* plays an important role in planning and management policy in his clients' firms. This section will look at the conditions within Iran's textile industry and the characteristics of Iranian business management which are important elements inducing the formation of such close personal relationships between *namayande* and firm.

#### A. *Limited Ability of Businesses to Collect Information*

The fact that the *namayande's* primary activity is providing information for expediting market transactions explains the most direct motive for a firm to employ the services of a *namayande*. He has the knowledge and know-how which firms lack for collecting and analyzing information. This specialized ability makes the *namayande* necessary for them.

Iran's textile industry today has very limited channels for collecting information

from overseas markets. Unlike what is seen in neighboring Turkey, in Iran there is little inflow of foreign information through foreign direct investment or through the mass media. Instead the primary medium for disseminating information in Iran is still word of mouth. There are very few people (like the *namayande*) who have direct access to foreign information, i.e., the “hardware” such as international faxes and overseas offices, and the “software” such as experience, language ability, and personal connections. And the information tends to be monopolized amongst these people. As the world moves into the global information age, Iran’s textile industry lags well behind, and the reason for this tardiness can be attributed to the historical environment in which the Iranian textile industry has operated.

The causes of the relatively underdeveloped state of the mass media in Iran today and the insufficient inflow of foreign capital go back to nearly two decades of political confusion and economic difficulties, along with the Islamic Revolution in 1979, the Iran-Iraq war and the ensuing international isolation Iran experienced. Foreign information was partly censored for ideological reasons after the revolution, and economic stringency delayed modernization of information equipment and facilities. At the same time, however, the *namayande* have existed since well before the revolution indicating that even during the Pahlavi period, when there was relatively close interaction with international society, Iran’s textile industry tended to rely on these specialists for collecting information. In other words, it seems that there were factors within the historical development process of Iran’s textile industry itself, even before the Islamic Revolution in 1979 and Iran’s ensuing international isolation, which inhibited the establishment of channels for collecting information (especially by private firms).

One of the inhibiting factors has come as part of government policy toward the textile industry since the start of Iran’s industrial modernization. Over the past seventy years from Reza Shah through the Islamic Revolution right up until today, the textile industry has been tossed back and forth by changes in government industrial policy and regulations on the import of foreign-made textiles products which have swung every ten years between applying severe controls and liberalization. As a result the individual textile firms never developed the capability to collect foreign information by themselves, nor did any societal support systems step in to make up for the firms’ incapability.

A brief look at Iranian government policy toward the textile industry and the import of textile products since the Pahlavi dynasty will give an indication of these policy fluctuations.

(1) *The Reza Shah period (1925–41): Protection of domestic manufacturing and state control over the import-export business*

The two notable features of industrial policy, including that toward the textile industry, were state control over foreign trade and the effort to utilize private capital. In 1931 the law of monopoly on foreign trade was enacted which established

a license system for importing. Under the system a 25–35 per cent duty was levied on imported textile products. The government encouraged private investment, provided tax exemptions for new factories, and promoted lending through the Agricultural and Industrial Bank (Khalili-Khu 1989, pp. 182, 186–87; Bharier 1971, p. 178; Rabizade 1970, p. 52).

(2) *The wartime and postwar reconstruction period (1941–59): Import liberalization to meet domestic demand*

Soon after the war imports rose rapidly in response to a growth in demand. This also caused local firms to suspend work or close down, and domestic manufacturing was forced to adjust production. However with the First National Development Plan from 1948 and with the second one from 1956, the major part of public investment was allocated to the textile industry. Private investment also increased at this time, and by the early 1960s the industry, including the spinning sector, had experienced a sizable increase in production (Sazman-e Barname 1968).

(3) *The White Revolution period (1960–72): Import-substitution industrialization, restrictions on some textile imports*

The government undertook a policy of import-substitution industrialization which also encompassed the textile industry, and until 1972 the import of synthetic and natural fiber textiles (excluding woollen fabrics) and synthetic thread were prohibited (Kazem-sherkat 1963, pp. 68–69; Iwasaki 1993).

(4) *The oil boom period (1973–79): Wholesale import liberalization with oil dollars*

By the early 1960s the emphasis of public investment had already shifted to heavy industry. The Shah's de facto abandonment of the strategy of import-substitution industrialization and wide ranging import deregulation in 1972 had a serious impact on the local textile industry. The government sought to finance the sharp increase in domestic demand through oil money.

(5) *The Islamic Revolution (1980–89): State control over imports and curtailment of trade with the Western countries*

Following the revolution most of the large-scale private firms were nationalized. At the same time the Centres for Procurement and Distribution (Marakez-e tahiye o towzi'-e kala) were set up, and the import business was brought totally under government control and management. In principle this meant that private individuals could no longer carry on importing. This change brought about a 21 per cent drop in Iran's imports from Western countries and a five-fold increase in imports from other Islamic countries (Eftekhari and Torkamani 1993, pp. 574–78).

(6) *The present day (1990–98): Economic liberalization and the gradual deregulation of imports*

The government is slowly moving back toward utilizing private capital and has begun privatizing the national firms which are suffering from growing problems of factory antiquation and surplus workers. From 1991 the government started open-

ing the import business to private producers with enough financial resources, and small and medium-sized firms have again been allowed to purchase materials from abroad.

This in brief is how the Iranian government has swung back and forth over the past seventy some years between protectionist controls and liberalization as it reacted to the political turmoil of wars and revolutions and to the rise and fall of oil revenues.

Along with protectionist industrial policy, the government's import restriction policies have relied not only on import duties to inhibit the inflow of competing foreign products, but also often on the use of state controls over the import business itself, such as licensing. Along with its overall policy for regulating textile imports, the government has frequently revised and modified minor regulations as noted earlier. As a result, media for information on foreign produced materials (such as international business magazines, or special sections in the Ministry of Labor and Social Affairs and in the Ministry of Commerce serving foreign companies seeking to enter the Iranian market, or the public information offices of those companies) have never developed sufficiently enough because demand among ordinary firms has not been stable.

For all these reasons, the small independent firms that dominate Iran's textile industry have been greatly restricted in their capability to collect and analyze information on their own when they purchase foreign products. For the firm the cost of obtaining information is very high because of the great effort that is needed to classify and analyze the information. Likewise the fluctuation of government trade policy imposes a huge economic burden on firms which have to respond by setting up, curtailing or terminating a special marketing section within the firm as the policy swings between protectionist controls and liberalization. Thus the most rational choice for the individual firm is to obtain information on short-term market conditions through a trusted specialist outside the firm.

As for the *namayande*, during the periods of government control over importing, they maintain their businesses by falling back on their connections with those private firms that retained the right to import or by undertaking a wide range of consulting activities for these firms, and they preserve their long-established ties with their own small and medium-sized clients. In this way when trade policy again moves back toward liberalization, the *namayande* can resume their primary role as intermediaries. In this sense, the *namayande* as an agent has a seemingly parasitic existence outside of the firm, but because he is outside of the firm, he can mitigate the unexpected blows that hit the firm in the wake of policy changes. In effect, the *namayande* are information-collecting specialists who can adapt flexibly to new situations and act as buffers for the small private firms in the Iranian textile industry.

### B. *Business Management Based on Personal Social Relationships*

Business management based on personal relationships is another factor making the *namayande* a necessary player for Iran's textile firms. It is also closely connected with the repeated changes in government policy toward the textile industry. The sub-section A above showed how firms rely on information channels outside the firms to keep costs at a minimum. Here it is important to stress that firms seek to strengthen their information channels by developing reliable relationships through extremely close personal ties with their *namayande* to survive in Iran's fluid business environment.

Along with the fluctuation and arbitrariness of government policies, Iran's business world by and large has not developed the conditions for "market" transactions which engage numerous parties who remain unseen and unspecified. The problems of concentrating information in a few people have already been discussed. Besides this, the lack of a reasonably stable exchange rate and the lag in formulating a legal system which protects the assets and capital of individuals who participate in the market have been other restraining factors on the development of "market" transactions. These underdeveloped market conditions have been caused partly by political turmoil, the intentions of government leaders, and the attitudes of people.

Such conditions have generated one pronounced feature in the economic activity of Iranian society. This is the tendency of people to distrust groups composed of numerous unspecified members whom one does not know directly. In other words, people in the society attach great importance to personal relationships. Such tendencies to distrust the unspecified and impersonal very much exist in the textile industry as well. It has already been mentioned that for the most part in the Iranian textile industry there are no vertical relationships of firms with subcontractors, nor are there the horizontal connections among textile producers. This pattern of not subcontracting or not associating with other firms is in part due to the tendency to distrust which is manifested in the firm owners' avoidance of involvement in collective operations.

The relationship between the *namayande* and his clients which is based totally on the personal ties between them can likewise be seen as a manifestation of this distrust. Firms develop very close personal relationships to assure the safety of their business rather than rely on public or societal systems. The *namayande* also bases his own business on a relationship with the very person of the firm owner and never approaches his clients as a collective business organization under the name of "XX Company." Moreover, a *namayande* does not automatically pass his clientele on to his son. This fact too shows that the *namayande* is fundamentally different from mere brokering entities like trading companies. In other words, the *namayande* and his clients believe that obtaining a certain trust toward each other will be difficult once the *namayande* becomes a company-like collective body.

It takes a good deal of time to build up trustful human relationships. As in many other regions and countries, kin and community relationships also take on particular strong importance in Iran. Moreover, there is also an ethical element such as the obligation of extending a helping hand to others in need of assistance and a religious element such as offering donations as a devout Muslim. It is not easy to build up trust, but once such a connection has been built, it becomes quite a firm relationship through which a *namayande* can be the most trustworthy information channel for a firm owner.

In sum, the limited ability of firms to collect information and business management based on personal relationships are the primary factors which should be taken into consideration when analyzing the reasons for the existence of the *namayande*.

### CONCLUSION

In Section III we looked at two primary factors behind the existence of the *namayande*: the limited ability of firms to collect information and business management based on personal relationships. Both of these are mainly due to the fluctuations and arbitrariness of government policies toward the textile industry and to the country's political instability and ensuing feeling of uncertainty in the society. I would now like to refine this argument a little more.

The first factor—the limited ability of firms to collect information—can be taken as one “condition” brought about by the entire business environment. As already noted in the previous section, government policy toward the textile industry and toward the import of textile goods has been extremely fluid over the decades. The periods when firms could import materials and machinery at their own discretion and the periods when importing was restricted fluctuated one after another during some seventy years. As a result, services (such as publishing international textile industry journals translated into Persian, setting up government offices to assist foreign companies seeking business opportunities in the Iranian market, simplifying business procedures for foreign producers of raw materials seeking to develop public relations activities in Iran, drawing up regulations to ensure the legal status and reasonable taxation of foreign companies, etc.) where ordinary firm owners can easily access foreign information have not come into wide-spread use. In other words, there has not been a stable domestic demand in Iran for information on the importing of materials and machinery for textiles, and therefore the systems for supplying this information have not matured.

Given this situation, one can see that business management based on personal relationships is one “way” that companies cope with Iran's unstable political situation and fluctuating government policies. Given the immaturity of the systems for supporting individual and enterprise economic activities, firm owners seek to secure their own channels for collecting information through their very close per-



sonal and trustworthy relationship with the *namayande* based on friendship, home district relationship, kinship, and religious ethics.

In effect, the *namayande* function as extremely important assistants helping Iranian textile firms through business management based on personal social relationships to overcome the problem of their limited ability to collect information due to the country's unstable political and economic environment.

Another factor increasing the importance of the *namayande* is the fact that these middlemen operate throughout all the business and industrial sectors of the country.<sup>21</sup> Although this study has focused on the *namayande* working in the textile industry, the analysis suggests that the problems affecting the textile industry also exist in Iran's other industries. However, I would like to emphasize once again that this study limited its examination strictly to the business methods of the *namayande* in the textile industry. Because of differences in the scale of enterprises and in the historical development of other industries, it is likely that the *modi operandi* of the *namayande* working in the other industries differ considerably in detail from that of the *namayande* in the textile industry.

Nevertheless, the existence of the *namayande* is not something symptomatic solely of the business environment of the textile industry. Their wide-spread existence suggests something about the state of Iranian industrial institutions and of the social institutions that relate to them. Study of the *namayande* provides a valuable clue toward understanding the mutual relationship between Iran's social institutions and its economic performance.

The foregoing study has described the *namayande*, one of the distinctive and fascinating features of business management in Iranian textile firms. It has limited itself to a discussion of some of the apparent factors that seem to explain their existence. For a more detailed analysis, there needs to be more corroborative research on the origin and historical background of the *namayande*, and on the economic factors accounting for the weak business relationships amongst Iranian enterprises (which seem to provide the basis for the *namayande*'s business). It would also seem worthwhile to compare Iran with other countries where the textile industries have gone through a different process of historical development, looking at the execution of government policy and at the nature of social relationships to see whether *namayande* or similar such middlemen exist in other countries. These questions offer guidelines for future socioeconomic research on Iran.

<sup>21</sup> Interviews with [1] and [10].

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## APPENDIX

## INTERVIEWEES AND THE DATES OF INTERVIEWS

- [1] Mr. J, *namayande* (1), involved in textiles  
 May 1994–February 1995 (interviews almost every week);  
 December 26, 1995; January 5, 1996; November 14 and 19, 1996
- [2] Mr. A, *namayande* (2), involved in textiles  
 May 1994–February 1995 (interview every two to three months);  
 November 14, 1996

- [3] Mr. S, *namayande* (3), involved in Japanese-manufactured machinery parts  
November 23, 1996
- [4] Mr. B, a staff member in Mr. J's office  
July 13 and December 9, 1994
- [5] Mr. A, owner of a woolen fabric firm (employing about thirty workers)  
October 13, 1994
- [6] Mr. J, owner of a cotton fabric firm (employing about ten workers)  
October 13, 1994
- [7] Ms. P, a marketing manager at a textile company (employing about 1,700  
workers)  
November 18, 1996
- [8] Ms. A, working for the Association of Textile Industries of Iran  
November 14 and 18, 1996
- [9] Ms. R, working for the Tehran chamber of commerce  
November 20, 1994
- [10] Mr. M, working for Japanese trading company (1) (head of textile marketing)  
May 26, 1994
- [11] Mr. Y, working for Japanese trading company (2) (head of textile marketing)  
June 18, 1994
- [12] Mr. K, working for Japanese trading company (3)  
December 15, 1994