

Iran is caught in an economic straitjacket

by Adam East

On Feb. 11, Iranians celebrated the 15th anniversary of the Islamic revolution. Tens of thousands of Teheranis chanted the usual slogans, "Death to America, Death to Israel." But in recent years, the slogans sound more hollow and the people seem less enthusiastic. The clergy-led revolution brought with it the promise of justice and equality to the masses—its main base of support. But after 15 years, the standard of living of the average Irani citizen has declined by 50% compared to the days of the Shah.

The minimum wage in Iran is less than one-third that which people need to live, a fact recently disclosed by the country's labor minister, Hossein Kamali. Inflation is running at about 30%. Since the unification of the three different exchange rates in March of last year, which resulted in the devaluation of the currency, the Iranian rial has gone from 70 to the dollar to over 1,700 to the dollar—a staggering fall of over 2,000%.

The Islamic Republic's attempt to introduce slave labor in its "free trade zones" has not produced desirable results, either. The government is going all-out to sweeten the pot for foreign investors. Earlier, investors could only own a maximum of 49% of the shares in a business or commercial activity. But now, "all hurdles are clear," as a senior adviser to President Hashemi Rafsanjani put it. He announced that foreign investors can now own 100% of their economic concerns. The Islamic Republic is also allowing foreign banks to operate in the free trade zones without "any restrictions."

Iran's foreign debt, which up until 1988 stood at almost zero, because Ayatollah Khomeini had no desire to be indebted to "unbelievers," is now pushing the \$30 billion mark. Payment arrearages on external debt are about \$10 billion. Iran's biggest trade partners (Germany and Japan), who are now reportedly working on rescheduling Iran's short-term debt, are under continuing U.S. pressure to reduce trade in order to "isolate" Iran. Germany, especially, which has been frequently put in the spotlight, in January issued a mild warning to Teheran to improve its record on "human rights." Bonn took this action, of course, solely to please Uncle Sam. But while the United States is discouraging others from trading with Iran, the United States itself is doing the opposite. Over the past three years, the total volume of American trade with Iran has seen a considerable rise, and more U.S. companies

are involved in trading with Iran.

Iran's main problem, however, has been the continuing drop in the price of crude oil, which has created very unstable and shaky conditions for the Iranian economy. Iran has been trying hard to get the OPEC countries to agree on a fixed, lower-than-usual quota in order to boost the price of oil. Iran has even tried to "normalize" relations with Saudi Arabia, the other major oil-producing country in the region. But efforts to persuade the Saudis to lower their production level have so far proven futile.

Iran has failed to make any dent in lessening its dependence on oil revenues, which account for 85% of its foreign exchange. It is estimated that every \$1 fall in the international price of oil results in a loss of \$1 billion in Iran's annual revenues. In 1993, Iran saw its revenue from oil exports drop to \$11.5 billion from the previous annual average of \$17 billion due to the drastic decline in oil prices.

Government apes the IMF

There is mounting criticism of the government's economic policy among some of the ruling mullahs and the general population. The government's austerity measures are being compared to those which the International Monetary Fund forces on its victims. Privatization and reduction of subsidies are giving way to unprecedented levels of anger and dissatisfaction among the population. Many basic necessities have either vanished or can be found only at prices which are about 30% inflated. Those who are on fixed incomes and those below the poverty line are being hit especially hard. Ali Akbar Nateq-Nouri, the speaker of the Iranian Majlis (parliament), recently admitted that the legislature wanted to postpone the start of the second five-year plan for a year "because one cannot study a plan in crisis."

The Teheran-based *Keyhan International*, in an editorial late last year, made no bones about the alarming state of the country's economic woes. It said that the situation will get worse, not better. "Galloping inflation, open mismanagement of the economic sector, indifference toward the common strata who are the main supporters of President Rafsanjani, [and] decline in the international price of oil will all get together to make life intolerable and miserable for this nation of over 60 million people." In a veiled reference to the way things were during the last years of the Shah, it added, "Of course the affluent and the influential need not worry about [Finance Minister] Adeli's decisions. The value of their properties, movable and immovable, is appreciating in a manner unprecedented in recent memory."

It also questioned the regime's constant rhetoric about justice and equality. The entire concept of social justice in Iran was never considered an easy venture, the editorial said. "Off and on, our political leaders do express their 'wish' to work selflessly for that cause. But it seems that justice is last in the queue." If current trends are any indication, it warned, "the turn for social justice may never come."