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Modern |
Capitalism |
and Islamic |
Ideology |
in Iran |

10 Economic Costs of the War and the Reconstruction in Iran

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INTRODUCTION

Iran and Iraq ended their eight-year war on August 20 1988, when a UN-sponsored ceasefire came into effect within the framework of Security Council Resolution 598. Although the ceasefire brought an expensive war to a close, it has opened an even costlier front, namely that of post-war reconstruction. This chapter focuses on the economic costs of the war and the prospects for post-war reconstruction in Iran.

The economic costs include the damage inflicted on various economic sectors and the war's military expenditures. Such costs are classified into direct and indirect costs, to distinguish between the accounting and opportunity costs. The statistics, mostly official, indicate that the economy has suffered tremendously from the war and that it urgently needs to be reconstructed, yet the Islamic Republic has spent most of the post-war period in managing factional politics within the state and debating a more suitable reconstruction strategy for the country.

Issues debated among the radical, conservative, and pragmatist factions have ranged from ideological direction of the reconstruction strategy to sectoral and distributional priorities. Disagreements have also been voiced over financing options and how to deal with existing institutional and infrastructural obstacles. Although a more general framework for reconstruction incorporating a mixed approach has emerged, most initiatives by the pragmatists in charge of the executive power continue to be hindered by disputes on specifics and by various impediments.

While such disagreements and obstacles could diminish over time, the no-war no-peace stalemate between Iran and Iraq will continue to hinder efforts at reconstructing the economy as the government

well be overestimated. Moreover, in most cases, the estimates based on official exchange rates between the rial and the dollar were ten to fifteen times lower than the estimates for the oil sector are also based on higher oil average for the war years. However, this tendency for underestimation is largely offset by an opposite tendency for underestimating war damage. For example, the reported figures exclude the military sector, accounting costs of damage to costs of propaganda for the war, the value of oil give charge or at substantially reduced prices, and the costs of imports and exports to ports outside the war zone are the significant environmental and psychological

The methodology used to arrive at the damage figure report entitled *Ravesha va Olgouha-e Lazem Ba Khasarat-e Jang-e Araq Aleyh-e Iran* (National Report and Models for Estimation of Economic Damage War of Iraq Against Iran), published by the Ministry of Finance in 1983. For gathering the raw data and damage figures, direct observation, questionnaires were used separately or in combination with each other. Figures were grouped into four categories: Iraqi POW (of an Iranian origin); the private sector and the public sector (the first two, monetary loss was calculated through average expenditures per person by the number of persons in the public and private sectors in the economic sectors were identified and for each sector from one damage were identified. Such damage was also divided into "direct" and "indirect" costs.

Direct economic costs include damage to various public establishments, machinery and equipment (three main economic sectors of agriculture, industry and those sent to the war front, except military equipment, infrastructures, war-related wages (excluding military personnel), and welfare payments to the wounded

I first give an account of the war damage and then focus on the post-war reconstruction strategy. Specifically, post-war debates on reconstruction strategy, for the reconstruction, and various obstacles to task. The concluding section will focus on the post-war reconstruction and the no-peace, and will underscore the need for national reconstruction and national cooperation.

VAR

on September 22, 1980, along a front of 1,352 km stretching at certain places as deep as 80 km (50 miles) than a few weeks, over 14,000 km (5,400 sq. miles) were occupied in the five southern and southwestern provinces, Bakhtaran, Ilam, Kurdestan, and West Zagros mountain ranges and Lake Urumiyeh. Their 78,000 sq. km (68,700 sq. miles), 10.8 percent of the land in 1980, when the war began, some 6.3 million 16.7 percent of the nation's population, lived in they were also more densely populated than many countries, with a density rate of 35.4 persons per square kilometer compared to the national average of about 23.2 majority of the provinces' populations are ethnic minorities, and Arabs) and as such as central government politically very significant in the post-revolutionary ethnic grievances were on the rise. However, they are particularly important. Khuzestan, in particular, is the oil home for major economic establishments including steel factories, oil refineries, and petrochemical provinces adjoining the war zones and cities in

(to which 34 percent relate to rural settlements), remaining war period (to August 1988) are not yet public. The most educated guess is that some \$5 billion may have been inflicted during this later period figure for damage to the human settlement.

The war-damage, out of a population of 50.6 million were some 300,000 casualties, including some 60,000 and in Iraqi prisons, and at least another half a led or maimed. Moreover, some 2.5 million have and jobs and/or are displaced, in various refugee shacks, and temporary shelters in major urban list of human damage one must add the millions of productive working people who served in the war in ; as military personnel, paramilitary and irregular experts, and volunteers.³ It must be noted that the were primarily young and were the group most Revolution.

Ting has been the impact of the war on the country's s, including population distribution, urban systems the war zones in the southern and southwestern ey. The 1986 (Iranian 1365) national census put the of the five war provinces at 7.6 million, or about 15 ational population. The corresponding figures for 5) were 5.7 million and 17.2 percent, indicating that ave lost a significant portion of their population. ese, six cities have been completely leveled and ave sustained between 30 and 80 percent destruc- Khorramshahr, which had some 300,000 people in ar the most important of Iran's ports on the Persian d to a ghost town, 80 percent of which became tion, a number of major cities in other parts of the Tehran and Isfahan, were also hit by missiles and us occasions and sustained substantial damage.⁴

War damage has been even more devastating economy. The total economic costs to September 1 over 24,707 billion rials or \$309.1 billion, of wl accounted for 35.5 percent or about \$110 billion. (T GDP was worth US \$176.6 [current prices, at 84.9 1988 official report on the war economic damage released. Figures cited in unpublished documents government officials indicate a much higher total d particular, the direct economic damage to the end of 1365 (i.e. to March 21 1987) is estimated at \$189 bi that this represents, as in the previous report, only 3 total damage, we arrive at the staggering figure of:

The exact figures for the remaining war pe 1987-August 20 1988) are not yet available. How billion may have been added to the total damage (\$2 damage) assuming that the damage accrued at the as during the 1985-7 period. Therefore, from the war in September 1980 to the time of the ceasefire which some \$592 billion in damage had been inflicted on some \$210 billion relate to damage inflicted machinery, buildings, equipment, materials, goods ar wealth.⁸ The direct economic damage alone accou years of oil revenue (at the 1987 earning level of \$ war damage figures do not include destruction of military expenditure and the reconstruction costs of To appreciate better the extent of the war's econ we now turn to investment losses and the sectoral d begin with, during the 1981-6 (Iranian 1360-5) pe

vestments in the sector during the 1981–6 period. In war has destroyed all investment in the oil sector some 45 percent of the sector's pre-war capital annual damage to the capital stocks in the industry amounts to about 10 percent of the sector's annual sector has suffered from damage to such important shments as the Abadan Refinery (the world's az Iron Work Factory (Navard-e Ahvaz) and the petrochemical complex in Bandar-e Imam on the l. Estimates for the construction sector indicate that on in the sector is larger than the country's annual tion of residential units. The direct damage to the is estimated to equal the total credits needed to rooms.¹⁰ To get the full picture, one must add the as damage figures for the remaining war period to

nd budgetary damage of the war has been equally total war expenditure (direct and indirect) has 8.2 billion rials (about \$41.6 billion at \$4.9 rials to -6 period, accounting for 16.9 percent of public other \$12 to \$15 billion may be added to the total training war period to August 1988) to arrive at the ne \$53.6 to \$56.6 billion for the entire war period. ent of the war-related spending over the 1981–6 direct expenditures, of which some 91 percent had or war-related defense spending. In sharp contrast, the war-damaged areas received only 8.9 percent of g. Equally meager was the share of the indirect war expenditures – some 11.3 percent, paid to on and to the Foundation for the Affairs of the War

population (especially the families of those killed reconstructing war-damaged areas. Social justice, w subject of continued concern after the Revolution but only as a peripheral issue and is emphasized c radical elements in the government. Those on the consider the equity goal to be in conflict with the efficiency, which they think must guide reconstruction that economic growth will have top priorit needs to generate, in a reasonable timeframe, million jobs and control the ever rising prices. How time as the state revitalizes productive capacities, food for the population and rebuild the military if public is to match Iraq's strong army.

Developing the economy leads to the issue of indu as raw materials, intermediate goods, machinery, a significant portion of which have to be imported. I are dependent on international markets for about 6 inputs, very little of which could be generated loc how emphatic the Government will be in using indiq The needed inputs for reviving the industries at the l level will cost some \$6.5 billion a year in foreign military must also be rebuilt and the annual cost o parts and equipment will amount to about \$3–4 bi small amount is produced domestically and the f mains incomplete. Food imports, which were alwi for another \$4.5 billion a year. If another \$1 bill yearly costs of scholarships, embassies, missions a the total foreign exchange needed will add up to \$1 year. Indeed, the new five-year plan (1989–93) ant exchange budget of some \$22.4 billion a year.

Yet, oil earnings, which account for over 90] foreign exchange, may not exceed \$13 billion a year years even if OPEC is able to maintain its producti million barrels a day, at \$18 per barrel. Iran's pr

1.8 billion is actually available for reconstruction. billion could also be earned from non-oil exports (e.g. interests on loans to foreign countries and negligible foreign investments).

Even becomes whether Iran should follow an open- h the participation of the domestic private sector investments, or pursue a strategy of self-reliance involvement. Or should there be a mixture of the ' So far, the Islamic Republic has used very little and has basically relied upon domestic resources. r advocates, mostly the conservatives with links to que that the policy of self-reliance would not work because the country has to move quickly and the . They insist that the people have sacrificed a great wait much longer to see an improvement in their ment, they argue, should take steps to import d encourage the private sector to do the same and eralizing trade policies. Investment in quick-return toward the immediate welfare of the population, bottlenecks to expand utilization of the existing consumer industries, should also receive priority ojects including heavy industries and the creation of his rapid economic growth policy may require the sources and expertise. The open-door advocates sive state intervention in the economy and the yond acting as an indicative planner and regulator They also maintain that unless the economic pie a strategy of rapid growth, there is little to share he poverty line, currently about 65 percent of the ollah Ali Khamene'i, the new Leader of the (who succeeded Ayatollah Khomeini on June 3) favor a somewhat similar line, although he has certain aspects of the opposing view and is better iatist. According to him, economic growth assists

neediest. Under this option, Iran can also rebuild mostly use domestic resources like agriculture and s tries and do not need much foreign exchange. T people, who have lived in extreme hardship for te mind waiting a bit longer to see their life imprc instead of encouraging the private sector, the go expand and further develop the cooperatives in distribution spheres. The government should also courage a policy of self-reliance with a measure domestic production and resist the temptation of t nation that the open-door policy promises. Otherwis the country will soon become indebted to foreign companies, multinational corporations in particula experienced by Egypt's post-Nasser *enfitah* (open- be increased foreign dependency and income ineq the creation of a lopsided consumer market and a r in the level of industrialization. Mir Hossein Mou Prime Minister and presently an advisor to Preside known to favor the radical alternative, although shown significant flexibility in accepting largely m matic policies.¹⁶

Which course seems likely? It is still up in the makers and planners are leaning toward a mixtu private sector will play a major role with the sta strong economic and controlling position. Adv pragmatist/centrist leader as President 'Ali A Rafsanjani, the strategy would also incorporate planning framework to guide the coexisting pub cooperative sectors.¹⁷ However, the sector most fa vately organized cooperatives which bring, in Hash words "a large number of people together as a pri activate a balanced economic growth. This middle erment contrasts the "Western capitalism," which is l exploitative," and the "Eastern communism," whi

which seeks to earn international respect through payment and export the Islamic Revolution by means qualitative model rather than by the use of force. It was thinking in foreign policy, along with economic use of gas bombs by Iraq, that was responsible for The policy is also supposed to lean the Islamic more openness to the East and the West and gain assistance.¹⁹ Normalization of relations with the Soviet Union. Advocates of the strategy also favor of political openness and have a more positive the educated Iranians living outside the country xiles).

Khomeini was largely equivocal toward the three ap ideological and pragmatist positions in different he Rushdie affair indicated an ideological position as decrees the Ayatollah issued in 1987 concerning the vent intervention in the economy and other matters. t, while he continued to distrust the West and the the United States and the Soviet Union, he ap hat were put forward by the pragmatists and went of the declared aims or policies of the Islamic ample, he accepted the ceasefire and sanctioned the of gradually normalizing relations with France, Bri to name the most important cases. The late Ayatol took a centrist stand in a Fall 1988 communique he e to a letter from the chiefs of the three branches of prime minister, requesting his views on priorities for construction.²⁰ The communique listed the priorities ion of all kinds of socio-economic and cultural martyrs' families and those who helped the war ent of the country's defense capability and develop industries, self-reliance in agriculture and expansion research centers; planning for the welfare of the

approach remains the most vulnerable to unexpecte that normally occur in, or in relation to, the Islamic latest example of such an event was the uproar caused by Rushdie's *Satanic Verses* (vastly reported in the Ne February 1989). No doubt Ayatollah Khomeini's dist was deepened in the aftermath of the affair. To most Islamic leadership in Tehran, the event was set up P West to inflict damage on Islam. The insensitive man British Government and its Western allies handled exacerbated such misgivings. Incidents such as t weaken the pragmatists, whose "liberal" policies w the Ayatollah in a speech he gave after relations Europe deteriorated over the episode. This event, if the immense difficulty that the pragmatists face in in more moderate foreign policy that is so critical for reconstruction. The pragmatic approach is most likely in the Islamic Republic now that the July president brought the pragmatist faction to power. In the me constitutional revisions have increased the President eliminating the rival office of Prime Minister. The nence, however, would depend on advances in the pe Iraq (for which the pragmatists are held responsible in the economic conditions. This is indeed wh (Hashemi-Rafsanjani) and his largely pragmatist/technet members have indicated their commitment to c prehensive peace with Iraq at the same time that t almost all their energy into reviving the economy.

Aside from remaining vulnerable, the mixed approach potential of generating certain important problems. Specifically, given that it is an eclectic combination from the open-door and self-reliance strategies, proj sides would continue to struggle for a bigger ideologication in the mix. This could waste a significant amo

ome concentration would certainly worsen as those channels will find new opportunities to make super-general public would have to pay for its increased h a shrinking real wage. Demand for the govern- exchange would also rise as the private sector will not ate enough foreign exchange of its own from non-oil ade deficit would also worsen, leading to further of the rial. The inevitable consequences would be and a further worsening in the purchasing power of the mixed approach could avoid these pitfalls if the strict controls on the expansion of the international services. It could impose higher taxes on luxury con- activities and make them subject to cumbersome ent bill imposing value added taxes on luxury and services is a step in the right direction.²¹ The devise effective incentive policies to guide the wan-

the direction of productive investments.

In differences, all parties to the debate are in agreement of fundamental issues concerning the nature of the they wish to construct and over less ideological policy particular, they all agree that domestic resources should be maximum capacities, foreign dependency should be participation (meaning various things to different be encouraged, and the war-damaged areas and receive added attention. They also agree that invest- could be given to the following critical areas:

1) defense industries and related establishments; 2) expanding infrastructures (such as science and research, power plants, roads, and port facilities); 3) industries (including oil wells, refineries, and petro- and oil export facilities including pipelines and

Some of these priorities were also emphasized in th from the late Ayatollah Khomeini (see above).

It is also believed (as outlined in the recently revise First Socio-Economic and Cultural Development Plan Republic) that economic reconstruction will go through or less distinct stages.²² In the first stage, resources are directed toward the maximum use of existing products (oil and gas in particular), infrastructures, and human culture and rural development are also emphasized. to restore the economy to its normal functioning level oil exports to generate as much foreign exchange as possible. In the second stage, oil revenue will be used to achieve economic self-sufficiency and a higher per capita income. Finally, in the third stage process will be consolidated and made independent of oil revenue. Only then, according to the plan, will achieving the justice and economic self-sufficiency become feasible indication as to the duration of each stage nor any information on an implementation strategy. What seems to be certain is that the government will rely heavily on oil revenue for reconstructing the war-damaged urban areas and economy being established.²³

At a more specific level, some important decisions being established. First, before plans can be developed want to know how many people will return to their homes. So, population projections are being developed are studying various cities' new functions, rather than that they will assume their pre-war roles. Third, they take a regional view of development; that is, in plan construction cities will be seen as integral parts of their provinces will be seen in relation to each other. According to the National Spatial Strategy Planning (Administration), reconstruction of rural settlements and agriculture that of the cities.²⁴ It is hoped that the strategy will encourage migration of rural people to the cities as well. Moreover, the strategy is consistent with the government's long-term vision of a modern and advanced

sites separate from residential areas. This means that yes are going to take place in land-holding patterns s. Attempts will certainly be made to enforce Islamic and architecture. The new spatial structure of the expected to affect patterns of social and economic among the residents, and property relations. The old , for example, find themselves spatially separated. use pattern will undoubtedly increase demand for nation networks and affect the transport system, I no longer be able to walk to work.

Urban reconstruction strategy conforms nicely to 's priority of economic normalization and growth. construct the productive sectors first, then to respond pictures, housing, and services bottlenecks as they , this is a different strategy from the one followed in period, when the government put some 44 percent budget into housing.²⁵ The new strategy will also aged population return gradually, in stages and as ing to the government's ability to rebuild. Otherwise, housing or jobs for those who wish to return to their course for those who will build their own housing reliance on the government.

OPTIONS FOR RECONSTRUCTION

aside, the government will also seek to generate e from other sources. To begin with, it seems certain hip will not invite direct foreign investment, at least eable future. Rather, they will attempt to use foreign -back or usance schemes.²⁶ For example, if foreign ed to build or renovate a plant, or provide raw idea is to pay them back by asking them to take products or export them to other countries. This

industries;" in addition, "they will become the real we will be reduced to a broker between them and t where the products will be sold".²⁷

A proposal presented by Iran's Minister of Econon to the visiting West German Minister of Foreign Affa the Fall of 1988 could become a model for the involve firms in Iranian reconstruction projects. The propos establishment of a consortium comprising several of V major banks, oil companies, and industrial concern borrow money from the banks within the consorti money on projects contracted to industrial concerns sortium, and repay the loans by selling oil to the oil co the consortium.²⁸ In this way, the Islamic Republic ho multinational firms involved in the country's reconsti relying too heavily on any single one of them.

Iran also seems to prefer loans from international a the World Bank and IMF rather than commercial bar ments. The Constitution prohibits the government from loans except those approved by the Parliament. Ne option is being discussed within the state. Reporte Khomeini was angered over a confidential letter to l influential leaders of the Republic requesting his foreign loans. However, in a February 1989 press (ported in *The New York Times*), Gholamreza Aghaz of Oil and Minerals, disclosed that "The present g made a number of policies on taking loans. The majc we will be able to get loans for important infrastructu The *Times* reporter also paraphrased the Minister "Iran would strictly limit its borrowing to revenue-pro and that such borrowing would not exceed \$3 billion five years" and that the decision follows "long debt leadership that have been finally settled in favor of a r approach backing a vigorous reconstruction of the Ir .."²⁹ In the following months, however, the g

regime and by the Iranian regime in recent years. A of the debtors, including France, have been unwilling debts in hard currency. Instead, they have been n under which Iran would be paid in commodities of val such deal, reportedly concluded with France, will p construction of Tehran's underground railway and se and certain food items to Iran.³⁴ The United Nation' the money made on the limited foreign investments best, but savings from the reduced insurance and tra oil exports following the ceasefire are significant.

OTHER OBSTACLES TO RECONSTRUCTION

Besides a shortage of foreign exchange, there are obstacles to reconstruction. To begin with, there is college and university graduates and technicians. For carpenters and mechanics are in particularly short supply for the Iranian year 1365 (1986-7) indicate that there were 542,228 specialists in the country, 50 percent of whom in technical subjects. This means that the ratio applied fields to the total population is very low; population as compared to 5,500, 5,200, and 5,100 Netherlands, and the Soviet Union, respectively. technicians is even more disappointing; 600 per 100,000 compared to 25,000 in Japan. Higher education continues underdeveloped and the sector never recovered from the limitation inflicted upon it during the four years that the universities closed for the introduction of the cultural revolution the mass exodus of scientists, instructors and researchers is also underway, but it is not an what is needed.³⁵ Even more disturbing is the first number among those available remain unemployed example, some 37,000 people with a college or university were jobless, of whom some 23,000 were previously

option. Other possibilities include increasing solidarity for a rise in oil prices – a consideration that led Iran to proposal establishing parity in production between itself November 1988, a rather major concession. Iran has its Persian Gulf diplomacy in the direction of establishing and neighborly relations with the Persian Gulf states, Saudi Arabia and Kuwait.³⁰ The new Persian Gulf diplomatic interest on the part of the governments, tations, and investors in the region, thus helping the build its economy. The post-war trade liberalization prospective importers in the Persian Gulf areas is toward encouraging the transfer of foreign exchange to The Gulf Cooperation Council has proposed the establishment of an international fund (similar to one suggested in Resolution 674) to help reconstruction in both Iran and Iraq.³¹ The GCC is, cing the proposal conditional on a comprehensive peace which the organization has shown little interest so far! non-oil exports is another source of foreign exchange. ve, however, remains largely limited, as Iran's non-oil never exceeded \$1 billion in recent history. Mineral rich are rich and diverse, have not been fully exploited successive emphasis on the production and export of crude oil, the limitation posed by the oil market has made again. In the post-war period, changes have been made Act to make it easy for domestic and foreign private into joint ventures with the government for exploration³² Unfortunately, this potential source of foreign exploitation. The government has settled disputes with natural gas reserves are second to those of the USSR) over pricing and details and export of natural gas to the Soviet Union last summer. The package deal with the Soviet Union a multibillion dollar trade and economic development set be noted however that the deal will not produce

eign experts working in Iran on different industrial as petrochemicals, steel mills, pipelines and electric government is also giving financial support to hundreds universities around the world, including many who are in the United States. However, the number of recipients remains much smaller than under the Shah's have also been issued for the return of Iranian experts the country. However, the most surprising measure government to remedy the situation involves a contract with West Germany in the Fall of 1989 and temporally following the Rushdie affair. According to the German universities would train Iranian specialists in techniques and urban planning, to prepare them for implementing more complex reconstruction projects.³⁸ Skilled managers were numerous under the Shah. Skilled managers are also in short supply, but the government will sign expertise in this area. It may, however, attempt to educated Iranians currently living in the United States. Again, timing becomes important. If reconstruction skills could be developed internally (as happened try) so that Iran would not have to rely so much on This is one reason why some prefer and defend the process.

Significant obstacle to reconstruction is the lack of approvals or the existence of too many organizations with is and inappropriate practices.⁴⁰ Examples include the Revolutionary Guards, the police v. Revolutionaries, the Ministry of Agriculture v. Ministry of Reconstruction, the Ministry of Housing and Urban Development v. the Islamic Revolution and Housing Organization of the Islamic Revolution and Housing Organizations v. the Council for Cultural Revolution and its organizations, and, most significantly, the Foundation of Imam (Astan-e Qods-e Razavi) v. the government. In addition to this list is the Council of Policy

case includes the constitutional changes that were 1989.⁴² The changes have, in particular, led to a more unified state. The President's office has become more now concentrates most policy apparatuses under t single person.

There are other problems of an even more critical with, the state must decide if there are limits to pr and wealth accumulation. If so, then the specifics should be clearly spelled out. Otherwise, the waver holdings will not contribute to reconstruction of pr Rather, they will in part remain idle while the rest invested in services and eventually leave the country also decide whether international trade will be nati dated by the Constitution and if not then what its s more liberalized trade policy will be. The joint of bazaaris (the big merchants) and the conservatives in has prevented any major reforms in private own international trade policy. Although there are some toward legitimizing the limited accumulation of we establishment of a largely private international trade state control, the issues are by no means near a res Finally, the state also has to make quick decisi important and pending issues as land and tax reform

bution, women's rights, a labor law, political demo freedom for political parties and the press, and the r the country's provincial administration. These and of social security remain among the most formidable the Islamic Republic. Some of these reform issues ha taken up on several occasions since the Revolution i been made in such areas as limited land redistributio of a less regressive tax system, and the provision of st political prisoners, the state has taken initial steps freedom of activities for political groups with an Islar it-war addition to this list is the Council of Policy

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The harsh treatment within certain constraints.⁴⁴

The post-war reconstruction must begin with the resolution of security problem of the nation before it can be successful in rebuilding the economy. The social security (*nasihat*) problem involves both economic wellbeing and security. The fact that these issues are being debated in the state within the state is, by itself, the most encouraging.

O-WAR STATE AND RECONSTRUCTION

It is concluded that the damage done by the war is truly monumental and that reconstruction faces many obstacles. Clearly, there also exist many options, potentially creating forces. On balance, however, the forces of believe, are too robust to be coped with by any single entity within or without the state. In other words, the reconstruction is a task that no single force in Iran can achieve with any noticeable success in the foreseeable future. It is a true national union in which a solid majority would participate. The primary purpose should be a just peace, democracy, social security and public welfare. These are obviously major political issues and may be critical preconditions for a successful reconstruction in the short run. The political gap between the Islamic and the opposition is simply too wide, as are the various political factions within each of the two significant compromises have to be made by all sides to the nation could be truly regrettable.

Reconstruction also needs a lasting peace, and here Iran's interests, unless Iraq changes its unacceptable territorial demands, particularly total sovereignty over the waterway.⁴⁶ A situation of no-peace no-war will not lead to reconstruction, it will also lead to the inefficient use of resources, which will be detrimental to the Islamic Re-

military machines and troops. One ensuring arms race endangers the fragile ceasefire. It is good news that the conflict have agreed to direct talks and are currently details for a possible summit meeting between the two countries. The hostility, nevertheless, continues to remain tense. The Islamic Republic could find it increasingly difficult to be easily revived in the face of tremendous domestic constraints, warnings by the Islamic Republic seriously.⁴⁸

The world community, which at one point was deadlocked energy and determination to end the war, has developed a growing apathy toward the conflict. purposes, the United Nations has been abandoned by and nonaligned countries, many of whom are racing in the countries' reconstruction projects. Even more declining interest of such regional authorities as the Islamic Conference, the Arab League, and the G Council. The last two organizations have even endorsed stalemate by supporting Iraq's territorial claims of OPEC's rules. Saudi Arabia's position has been productive for the peace process. The Saudis see ceasefire for granted, as they do not consider Iran to be renewed war. What they forget is that Iran has tried to build up a strong offensive system and that those leadership who wish to punish Saddam Hussein are in number and political power. The world community change its focus from reconstruction to peace by nations if only for the sake of world peace and their the reconstruction.

struction is openly acknowledged by the officials of the example, *Economic and Political Bulletin*, vol. XXXV,ember 1988, p. 21.

onomic loss from the war, see Hooshang Amirahmadi, and Reconstruction: A Strategy for the War-damaged , in Hooshang Amirahmadi and Manoucher Parvin (eds), *mary Iran*, Westview Press, Boulder, 1988; *Bazsazi Va ye Towse'h Mellî va Mantiqhehi* (Reconstruction and Regional Development Planning), Ministry of Plan and an, 1366. The document was prepared for presentation at the Role of Research in the Post-War Reconstruction, 1366 (hereafter, *Bazsazi*); and *Kholaseh-e Gozareh: hasarat-e Eqtesadi-ye Jang-e Tahliliye Araq Aleyh-e Iran Mah-e 1364* (Summary Report: An Estimate of the Econ of the Imposed War of Iraq Against Iran Until September of Plan and Budget, Tehran, 1986 (hereafter, *Kholaseh-e 7 and 8* (no. 8 was published in 1988). See also K. Miyaji, *f the Symposium on the Iran-Iraq War*, Institute of Devel nies, Tokyo, August 1988; Abbas Alnasrawi, "Economic of Iran-Iraq War," in *Third World Quarterly*, vol. 8, no. 869-95; and Kameran Mofid, "The Economic Conse le Gulf War," paper presented at the Seventh Annual he Center for Iranian Research and Analysis, Columbia ew York City, April 7-9 1989. A useful study is also Kiyotaki Tsuji of the Japanese Institute of Middle East dies, Tokyo.

image of the war was reported by the Minister of Islamic follows: number of dead: 123,220 military personnel (of belonged to the Revolutionary Guard Corps and 30,000 to my) and 11,000 civilian population; number of missing in ; and number of POW in Iraq: 30,000. See *Kayhan-e hr*, 1367), p. 23. These figures were released less than a he ceasefire and may well be underestimated. See *New 9 September 1988*, p. A8 where the total number of dead is for Iran and 120,000 for Iraq. See also Hooshang Amirahmadi and Reconstruction: A Strategy for the War- as of Iran," in *Disasters: International Journal for Disaster development*, vol. 11, no. 2, 1987, pp. 134-47.

and location of the damaged cities, see Hooshang Amirahmadi and Reconstruction in the Islamic Republic of shang Amirahmadi and Manoucher Parvin (eds), *Post-*

Kouye Keshvar ba Az Jang-e Iranu (A review Overall Trends in the Country's Economy after the non-published government document, Ministry of Tehran, n.d. (hereafter, *Tarh-e Moghadamati*).

7. *Tarh-e Moghadamati*, op. cit.; *Kholaseh-e Gozareh*, Interview 1988 (the reference is to the interviews and in Tehran during the summer of 1988 with a numt officials and informed sources).
8. The estimates are based on information given in *Tar op. cit.*; *Kholaseh-e Gozareh*, op. cit., # 8; and Inte 9. *Tarh-e Moghadamati*, op. cit.; and *Kholaseh-e Gozareh* 10. Speech by the Minister of Plan and Budget at the Int ence on Aggression and Defense, op. cit.; and *Tarh-e cit.*- 11. According to President Hashemi-Rafsanjani "during 70 percent of the country's income was spent on the Times (30 Tir 1368), p. 2.
- 12. See Hooshang Amirahmadi, "Reconstruction: 1 Strategy," in *Middle East Executive Reports*, vol. 12 pp. 9 and 14-7.
- 13. *Tarh-e Moghadamati*, op. cit.; and *Kayhan-e Hava'i* (4 14. See Hashemi Rafsanjani's sermon at the Friday Pray 1367, printed in *Kayhan-e Hava'i* (2 Shahrivar 1367)
- 15. *Kayhan-e Hava'i* (9 Shahrivar 1367), p. 9; and (20 M 16. *Kayhan-e Hava'i* (27 Mehr 1367), p. 11.
- 17. See Hashemi Rafsanjani's sermon at the Friday Pray 1367, printed in *Kayhan-e Hava'i* (2 Shahrivar 1367)
- 18. *Kayhan-e Hava'i* (4 Aban 1367), p. 10.
- 19. See Hashemi Rafsanjani's statement on the occasion Cultural Elevation of the Reconstruction in *Kayhan 1367*, p. 3.
- 20. *Kayhan-e Hava'i* (20 Mehr 1367), p. 3.
- 21. *Kayhan-e Hava'i* (7 Day 1367), p. 25.
- 22. "Reconstruction Policies Clarified," in *Iran Focus*, vo ber 1988, pp. 8-10; and "The First Economic Deve Economic and Political Bulletin", vol. XXXV, no. 1, pp. 5-6. See also Hooshang Amirahmadi, "Iran: A Reconstruction" (interview), in *The Urban Edge: iss vol. 12, no. 10, December 1988, pp. 4-5, published b*
- 23. Hooshang Amirahmadi, "Iran: At the Threshold (interview), in *The Urban Edge: issues & innovation* December 1988, pp. 4-5, published by the World Bi

ment of ADU Hassan Raetzenen, rarnament Representa-
open session of Parliament on 4 Day 1367, published in

nā'i (14 Day 1367), p. 24.

“The Changing Iran,” an interview with Hooshang Amir-
hard Bulliet and James Bill in *Barron's: National Business*
LXIX, no. 3, January 16 1989, pp. 10-11 and 17-21; see
e Hava'i (2 Shahrivar 1367), p. 3 (carries a statement from
ad Javad Larijani, Deputy Foreign Minister concerning the
as for Germany's involvement in the post-war reconstruc-
n-e Hava'i (9 Shahrivar 1367), p. 13; and *Economic and*
ein, vol. XXXV, no. 6, 8 December 1988, p. 5.

Ibrahim, “Iran May Borrow at Banks to Revive Economy,”
Times, 3 February 1989, p. A1.
nā'i (2 Azar 1367), p. 6; and (27 Mehr 1367), p. 9. On the
see *New York Times*, November 25, 1988, pp. A1, D2.
With Gulf States,” in *Iran Focus*, vol. 2, no. 1, January
. See also *Economic and Political Bulletin*, vol. XXXV, no.
1989, pp. 23-24.

ion: The Financing Problem,” in *Iran Focus*, vol. 1, no. 3,
88, p. 11.

Ibrahim, “Iran May Borrow at Banks to Revive Economy,”
Times, 3 February 1989, p. A1 and A6.

I quotes Mr Majidi, the Managing Director of Islamic
lines (originally published in *Kayhan* daily, 23/11) as re-
on 16 November 1988 “A Memorandum of understanding
ed between Iran and France, on the basis of which Iran will
e Airbuses within two years. Preliminary arrangements
ide for the purchase of five additional aircrafts.” He is then
ave said that “An Airbus can carry 280 passengers on
nts. It costs \$US 60 to 70 million.” See *Economic and*
ein, vol. XXXV, no. 1, 1 December 1988, p. 4. See also
nā'i (2 Azar 1367), p. 11.

to Lure Back Specialists,” in *Iran Focus*, vol. 1, no. 3,
88, pp. 12-13.

nā'i (5 Bahman 1367), p. 13.

[Khamenei's sermon at the Friday Prayers on 4 Shahrivar
yhan-e Hava'i (9 Shahrivar 1367), p. 9. See also *Kayhan-e*
ay 1367), p. 8.

1367, Iran and the Federal Republic of Germany signed a
n of Understanding concerning construction projects. See
nā'i (23 Azar 1367), p. 11.
nā'i (23 Azar 1367), n. 2; and (12 Mordad 1367), n. 10

“Constitutional Amendments on the Way,” in *Iran Fo-*
January 1989, p. 6-7.

43. Hooshang Amirahmadi, “Middle-Class Revolution
Revolutionary Iran,” in Hooshang Amirahmadi and Manouch-

44. Reports of the executions were carried by most of the
including the *New York Times*. The United Nations passed
on human rights in Iran and Amnesty International
statements. See “Statement of Amnesty International,
Executions in Iran” in *Economic and Political Bulletin*
8, 22 December 1988, pp. 19-20; and “Amnesty Interna-
ment to the 45th Session of the UN Commission on H
Economic and Political Bulletin, vol. XXXV, no. 14,
pp. 23-4. See also Mohammad Javad Larijani, De-
Foreign Affairs, on the execution of Tudeh leaders
Political Bulletin, vol. XXXV, no. 9, 5 January 1989,
“UN Human Rights Resolution Strings,” in *Iran Foc-*
January 1989, p. 7. On the government responses to the
“Rafsanjani Attacks Western Records on Human Rig-
and *Political Bulletin*, vol. XXXV, no. 8, 22 Decem-
January 1989, p. 7.

45. In my two summer 1988 trips to Iran I learned that the
complaint voiced by the crowds in the streets was about
security (*amniyat-e ejtā'i*) in the country, and when
define what they meant by the phrase, most people
problems ranging from physical abuse by members of
Committees to socio-economic poverty and concern for
and individual freedom.

46. “No breakthrough in Peace Talks,” in *Iran Focus*, vol.
ber 1988, pp. 2-3; and “Impasse in Peace Process,” in
no. 1, January 1989, p. 2.

47. Warren Richey, “Iraq and Iran Use Truce for Massive
Christian Science Monitor, vol. 81, no. 31, January 10

48. *Kayhan-e Hava'i* (2 Azar 1367), p. 4.