

## Economic reconstruction of Iran: costing the war damage

On 20 August 1988, after almost eight years of fighting, Iran and Iraq agreed to a cease-fire under UN Security Council resolution 598. It is hoped that the two nations will resolve their disputes peacefully and honourably—both are in desperate need of reconstruction after the damage that the war inflicted. Yet such an eventuality is uncertain: the two sides still lack trust, and Iraq continues to make unacceptable claims—including total sovereignty over the Shatt al-Arab waterway.<sup>1</sup> In the foreseeable future, therefore, a situation of 'no peace, no war' conducive neither to peace nor reconstruction may prevail.<sup>2</sup>

Although the cease-fire brought a costly and onerous war to a fragile end, it has begun the even costlier, more complex and harder struggle for reconstruction. Indeed, the task of rebuilding Iranian society goes (or should go) well beyond economic growth and development: the nation also needs to transform its political, social and cultural structures. Even economic reconstruction needs are staggering and require a national effort, the organisation of which remains a remote possibility given the political cleavages both between the Islamic Republic and its opponents and between the different political factions within the state. The country must simultaneously rebuild its houses, schools, shops, roads, water systems and government buildings; it must pump life into its industries, agriculture and social services.

Following an account of the war damage and expenditure, this article focuses on post-war reconstruction. Specifically, the post-war debates on a reconstruction strategy, financing options for the reconstruction, and various obstacles to accomplishing the task are explained. The concluding section focuses on the relationship between post-war reconstruction and the 'no peace, no war' status quo, and underscores the need for national reconciliation and international cooperation. (In the following article—by Kamran Mofid—the cost of reconstructing Iraq's war-damaged economy is estimated and policies suggested that may strengthen mutual peace.)

### The war damage

Iraq invaded Iran on 22 September 1980, along a 1.352 kilometre front, penetrating Iran by up to eighty kilometres. In a few weeks over 14,000 square kilometres of the five southern and southwestern provinces of Khuzestan, Bakhtaran, Ilam, Kurdistan, and West Azarbaijan were occupied. These provinces border Turkey, Iraq and the Gulf and comprise the Zagros mountain ranges and Lake Urumiyeh. Their land area is 178,000 square kilometres, 10.8 per cent of the country's total. In 1980, when the war began, some 6.3 million people (about 16.7 per cent of the nation's population) lived in these provinces. At 35.4 persons per square kilometre (compared to the national average of about 23.2) they were also more densely populated than many other parts of the country. The majority of the provinces' populations are ethnic minorities: Azaris, Kurds and Arabs. As such they were considered very significant politically, but they were also important economically. Khuzestan in particular is the oil capital of Iran and home to major economic establishments including port facilities, steel factories, oil refineries and petrochemical complexes. Other provinces adjoining the war zones and cities in different parts of the country have also suffered, particularly from repeated missile attacks on the civilian sectors.

The destruction caused by the war has been enormous, particularly in the five provinces mentioned.<sup>3</sup> Before figures are mentioned however, something should be said about the sources and quality of the data. To begin with, they are primarily 'official' and are produced by the government with a view to possible reparation (thus, they may well be over-estimated): moreover, in most cases price inflation was not accounted for and the dollar figures are based on official exchange rates between rials and dollars which have been ten to fifteen times lower than the market rates. The estimates for the oil sector are also based on higher oil prices than the average for the war years. However, this tendency to overestimate figures is largely offset by an opposite tendency to underestimate the war damage itself. For example, the reported figures exclude damage to the military sector, accounting costs of damage to the population, costs of propaganda for the war, value of oil given to Syria for free or at substantially reduced prices, reconstruction costs of the war-related damage, and the cost of re-routing imports and exports to ports outside the war zones. Also excluded are the significant environmental and psychological costs.

The methodology used to arrive at the damage figures is given in

*Raveshha va Olgouha-ye Lazem Bara-ye Baravourd-e Khasaret-e Jang-e Tahmili-ye Araq Aleyh-e Iran* (Necessary Methods and Models for Estimation of Economic Damage of the Imposed War of Iraq Against Iran), published by the Ministry of Planning and Budgets in 1983. For gathering the raw data and calculating the damage figures, head counting, sampling and simple statistical techniques were used. Direct observation, mailing questionnaires and interviews were employed separately or in combination. The damage elements were grouped into four categories: Iraqi prisoner of war; expelled Iraqi (of Iranian origin); the private sector and the public sector. For the first two categories monetary loss was calculated by multiplying the average expenditures per person by the number of such people. For the public and private sectors of the economy, seventeen sub-sectors were identified and for each sector damage was assessed on a scale of one to nine. Such damage was further divided into 'direct' and 'indirect' costs.

Direct economic costs include damage to various buildings and public establishments, machinery and equipment (belonging to economic sectors and those sent to the war front, excepting army equipment), material goods, infrastructures, war-related wages (excluding those paid to military personnel) and welfare payments to the war-inflicted population. Indirect economic costs, on the other hand, include opportunity costs (for example, lost potential GNP and oil earnings), reduction in capacities and delay in operations. To arrive at the damage figure for each sector, the number of units damaged (or lost) was multiplied by the unit price (present and future). In most cases, a percentage was assigned to represent the degree of damage a unit had sustained and damage of over 60 per cent was considered total loss. 'Average regional prices' were usually taken to represent the current price for the damaged items and only occasionally was inflation accounted for. To determine opportunity costs, assumptions were made about future prices and care was exercised to prevent double-counting.

Returning to the war-damage, out of a population of 50.6 million (in 1986) there have been some 300,000 casualties, including 61,000 missing in action (MIA); about 50,000 remain in Iraqi prisons (including some MIAs) and at least another 500,000 are disabled or maimed. Moreover, some 2.5 million have lost their homes and jobs and/or are displaced—in various refugee camps, make-shift shacks, and temporary shelters in major urban centres. To this list of human damage one must add the millions of energetic and productive working people who served in the war in varying capacities as military personnel, paramilitary and irregular forces, tech-

nical experts and volunteers.<sup>4</sup> It must be noted that the volunteer forces were primarily young and the most dedicated to the revolution.

Equally devastating has been the impact of the war on the country's human settlements, including population distribution, urban systems and rural areas in the war zones in the southern and southwestern parts of the country. The 1986 (Iranian 1365) national census put the total population of the five war provinces at 7.6 million, or about 15 per cent of the national population. The corresponding figures for 1976 (Iranian 1355) were 5.7 million and 17.2 per cent, indicating that these provinces have lost a significant portion of their population.

A total of fifty-two cities have been damaged, all of them in the war provinces. Of these, six cities have been completely levelled and another fifteen have sustained 30–80 per cent destruction. The city of Khorramshahr, home to some 300,000 people in 1980 and by far the most important Iranian port on the Gulf, is currently a ghost town, 80 per cent of which lies under rubble, with what is left unusable. In addition, a number of major cities in other parts of the country, including Tehran and Esfahan, have suffered numerous strikes by missiles and bombs and have sustained substantial damage.<sup>5</sup>

Destruction of rural areas has been even more devastating. Well over 30 per cent of the villages in the five war provinces (some 4,000 settlements) have been completely destroyed and many more have sustained heavy damage. The monetary value of total damage to the country's human settlements between September 1980 and September 1985 was estimated at about \$13 billion (of which 54 per cent related to rural destruction). Statistics for the remaining war period (to August 1988) are not yet available to the public. The most educated guess is that some \$5 billion worth of damage may have been inflicted during this later period, raising the total figure for damage to human settlements to around \$18 billion.<sup>6</sup>

Yet, the war has inflicted the most devastating blow to the country's economy. Table 1 gives 'direct' and 'indirect' economic costs for nine sectors up to September 1985. Opportunity costs make up a sizeable portion of the indirect costs, while direct costs largely include destruction to machinery, buildings, materials, goods and other categories of national wealth. Total economic costs amounted to over 24,707 billion rials (\$309.1 billion), of which direct costs accounted for 35.5 per cent (about \$110 billion). (To compare, in 1985 the country's GDP was worth \$176.6 billion at current prices—84.9 rials to \$1.00.) The official report on the economic war damage for 1988 has not yet been released. Figures

cited in unpublished documents and speeches by government officials indicate a much higher total damage figure than for 1985.<sup>7</sup> In particular, the direct economic damage to 21 March 1987 (the end of the Iranian year 1365) is estimated at \$189 billion.<sup>8</sup> Assuming that this represents, as in the previous report, only 35.5 per cent of the total damage, we arrive at the staggering figure of \$532.4 billion for direct and indirect war economic damage to this date.

Exact figures for the remaining war period (21 March 1987–20 August 1988) are not yet available. However, assuming that the damage accrued at the same annual rate as during the 1985–87 period, some \$60 billion may have been added to the total damage (\$21 billion as direct damage). Therefore, from the beginning of the war in September 1980 to the cease-fire in August 1988, some \$592 billion in damage has been inflicted on the economy, of which around \$210 billion relate to damage inflicted on the country's infrastructure.<sup>9</sup> Direct economic damage alone accounts for over 19.5 years of oil revenue (at the 1987 earning level of \$10.7 billion). The war damage figures do not include destruction of the population, military expenditures and the reconstruction costs of the war damage.

The financial and budgetary damage of the war have been equally significant.<sup>10</sup> Table 2 relates war expenditures, both direct and indirect, over the 1981–86 period. The total war expenditures have amounted to 3,538.2 billion rials (about \$41.6 billion at 84.9 rials to \$1.00) for the period, accounting for 16.9 per cent of public expenditures. Another \$12–15 billion may be added to the total figure (for the remaining war period to August 1988) to arrive at the grand total of about \$53.6–56.6 billion for the entire war period. About 88.7 per cent of the war-related spending during 1981–86 has gone on direct expenditures, of which some 91 per cent had been earmarked for the war-related defence spending. In sharp contrast, reconstruction of the war-damaged areas received only 8.9 per cent of the direct spending. Equally meagre was the share of the indirect costs in the total war expenditures—some 11.3 per cent, paid to the Martyrs Foundation and to the Foundation for the Affairs of the War Migrants.

### **Debating the reconstruction strategy**

Reconstruction priorities have been the subject of sharp debate since the cease-fire; resources are minuscule compared to needs, and the course chosen will shape the nature of the emergent system.<sup>11</sup> The

ECONOMIC RECONSTRUCTION OF IRAN

Table 1  
Economic Damage of the War up to September 1985  
(million rials, current prices)<sup>a</sup>

Sector <sup>b</sup>	Type of damage				Total damage
	Direct <sup>c</sup>		Indirect <sup>d</sup>		
	Amount	% of total	Amount	% of total	
1	2,915,013	83.4	579,440	16.6	3,494,453
2	129,474	5.6	2,172,185	94.4	2,301,659
3	1,238,188	9.4	11,988,085	90.6	13,226,273
4	171,765	33.8	336,999	66.2	508,764
5	127,497	92.6	10,138	7.4	137,635
6	468,687	97.2	13,535	2.8	482,222
7	3,160,378	100.0	0.0	0.0	3,160,378
8	331,013	88.1	44,542	11.9	375,555
9	239,948	23.5	780,145	76.5	1,020,093
<b>Total</b>	<b>8,781,963</b>	<b>35.5</b>	<b>15,925,069</b>	<b>64.5</b>	<b>24,707,032</b>

Source: Calculated on the basis of Table 2 in *Kholaseh-e Gozaresh* (see endnote 3).

Notes:

<sup>a</sup> Numbers are rounded. To convert rial figures into US dollars, use the exchange rate \$1 = 80 rials.

<sup>b</sup> The original table gives data for 17 sectors. These are combined here into 9 sectors:

1. Agriculture (all subsectors).
2. Manufacturing industries.
3. Oil and energy (combines 3 and 4 in original table).
4. Telecommunications; roads, transportation and customs (combines 5 and 9 in the original table).
5. Education and Islamic guidance; health and welfare (combines 7 and 8 in the original table).
6. Housing and urban development (structures constructed by the Ministry of Housing and Urban Development). Municipalities (including buildings and equipment belonging to municipalities and other buildings in cities; the damage also affected the properties, furnitures and the likes belonging to city dwellers) (combines 6 and 11 in the original table).
7. Revolutionary foundations (the damage in this case affected the villages in the five war provinces and included the expenses incurred by the Guard Corps (e.g. expenditures for provisions of basic needs of its fighters and payments to families of those killed, disabled, and injured in the war), the expenditures relating to war migrants, the expenses incurred by war captives and asylums, and the cash and/or in-kind assistance contributed to the war fronts by the Imam's Assistance Committee, the Fifteen of Khordad Foundation, and the Foundation for the Oppressed) (listed as number 12 in the original table).
8. Banks (including assets, buildings, bad debts, and opportunity costs); commerce and finance (combines 10 and 13 in the original table).
9. Labour and justice; Red Crescent-Tehran Municipality; Prime Ministry and Ministry of Planning and Budgets, Gendarmerie and Police (combines 14, 15, 16, and 17 in the original table).

<sup>c</sup> Includes damage to various buildings and public establishments; machinery and equipment; material goods and other national wealth; cash and in-kind assistance and payment of wages and salaries to those sent to the war front; damage to machineries and vehicles sent to the war front; assistance to expenses of war-inflicted population.

<sup>d</sup> Includes opportunity costs (in large part); reduction in capacities and delay in operations; obstacles and difficulties resulting from the war.

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Table 2  
War Expenditures 1981-86  
(billion rials, current prices)

<i>Expenditure Category</i>	<i>1981</i>	<i>1982</i>	<i>1983</i>	<i>1984</i>	<i>1985</i>	<i>1986</i>	<i>1981-86 Total</i>
Total war expenditures <sup>a</sup>	391.4	532.0	674.0	521.8	538.0	881.0	3,538.2
Direct <sup>b</sup>	380.9	515.0	594.0	449.0	425.0	781.0	3,144.9
(Defence) <sup>c</sup>	380.9	445.0	503.0	399.0	400.0	746.0	2,873.9
(Reconstruction of war damaged area)	0.0	70.0	91.0	50.0	25.0	35.0	281.0
Indirect	10.5	17.0	80.0	82.3	112.0	100.0	401.5
(Foundation for Affairs of the War Migrants)	0.0	0.0	40.0	39.3	63.0	45.0	187.0
(Martyrs Foundation)	10.5	117.0	40.0	43.0	50.0	55.0	215.5
Total Public Expenditures	2,861.0	3,367.0	3,895.0	3,631.0	4,135.0	4,050.0	20,939.0
War expenditures as percentage of total public expenditures	13.7	15.8	17.3	14.4	13.0	21.8	16.9

Source: Compiled from Bazsazi (see endnote 3), 1366 (1987-88), pp 10-11.

Notes:

<sup>a</sup> These figures exclude the regular defence budget and therefore underestimate the total war expenditures.

<sup>b</sup> Direct expenditures include: payments for purchase of defence equipment by the ministries of defence and sepah (Revolutionary Guards Corps); war-related expenditures of the gendarmere and the Islamic revolutionary committees; expenses of engineering operations in the war fronts by the Ministry of Reconstruction Crusade; payments to individuals for the war damage; payments for the reconstruction and renovation of the war-damaged areas.

<sup>c</sup> Excludes the regular defence budget (the part of the ministry's expenditures that would have been needed in the absence of the war).

debate is centred around four basic issues: rebuilding the military (both the institution itself and its equipment); energising the national economy; promoting the economic well-being of the population (especially the families of those killed in the war), and reconstructing war-damaged areas. Social justice, which had been the subject of continued concern after the revolution, has been deliberately removed as a priority item.<sup>12</sup> Indications suggest that economic growth will have top priority: the government needs to generate, in a reasonable time frame, some four to five million jobs and to control the ever-rising

prices. However, at the same time as the state revitalises productive capacities, it must provide food for the population and rebuild the military if the Islamic Republic is to match Iraq's strong army.

A prerequisite of developing the economy is acquiring industrial inputs (raw materials, intermediate goods, machinery and technology), a significant portion of which have to be imported. Iranian industries are dependent on international markets for about 65 per cent of their inputs, very little of which could be generated locally regardless of how keen the government is to use indigenous resources. The necessary inputs for reviving industry to the pre-revolutionary level will cost some \$6.5 billion per year in foreign exchange. The military must also be rebuilt and, since only a small amount is produced domestically, the annual cost of imported spare parts and equipment will amount to about \$3 billion. Food imports, which were always high, account for another \$4.5 billion per year. If \$1 billion is added for the yearly cost of scholarships, embassies, missions and similar items, there will be a total foreign exchange requirement of \$15 billion a year. Even the most conservative official estimate put the government's need for foreign exchange in the Iranian year 1368 (1989/90) at \$12 billion.

Yet oil earnings, which account for over 90 per cent of Iran's foreign exchange, may not exceed \$13 billion per year for the next few years even if OPEC is able to maintain its recently established production ceiling of 19.5 million barrels a day (at \$18 per barrel). Iran's production quota is established at about 2.783 million barrels a day: around 0.8 million are used domestically and the rest could be exported. Note that only a portion of oil-earned foreign exchange, some 50 per cent at most, is actually received by the government. The rest is earmarked for production costs, distribution, transportation, marketing, insurance, parts and repairs, and new investments (including exploration). Thus, of the \$13 billion estimated annual oil revenue, only around \$6.5 billion is actually available for reconstruction, although about \$1 billion could also be earned from non-oil exports.

The question, then, is whether Iran should reconstruct society through an open-door strategy, with the dual participation of the domestic private sector and foreign investment, or by following a strategy of self-reliance with extensive state involvement. Or should there be a mixture of the two approaches?<sup>13</sup> So far the Islamic Republic has used very little foreign assistance and has basically relied upon domestic resources. However, the open-door advocates (mostly conservatives with Bazaar links) argue that the policy of self-reliance will harm the task of

reconstruction because the country has to move quickly and the needs are so great. They insist that the people have sacrificed and will not wait much longer to see their lives improve. The government, they argue, should take steps to import consumer goods and encourage the private sector to do the same. This will require liberalising trade policies. Investment in quick-return projects directed towards the immediate welfare of the population should also receive priority over long-term projects. This rapid-growth policy may require the use of foreign resources and expertise. The open-door advocates oppose extensive state intervention in the economy and reconstruction beyond acting as an indicative planner and regulator of the last resort. They also maintain that unless the economic pie is made bigger by a strategy of rapid growth, there will be little to share with those below the poverty line (currently about 65 per cent of the population). Ayatollah Ali Khomeini, the new leader of the Islamic Republic (who succeeded Ayatollah Khomeini upon his death on 3 June 1989), is known to favour a somewhat similar line, although he has also been open to certain aspects of the opposing view and is better defined as a pragmatist. He maintains that economic growth assists the poorer sections by boosting employment opportunities and wages, whilst simultaneously increasing production and thus reducing inflation.<sup>14</sup>

Others, mostly radicals, argue that the pace can be slower, that the country must invest in the industries it needs to produce the materials needed for reconstruction—cement, construction, steel and machine tools industries—and in social services to help the neediest. Taking such an option, Iran could also rebuild the sectors that use mainly domestic resources and need little foreign exchange, such as agriculture and small-scale industries. The proponents say that people who have lived in extreme hardship for ten years will not mind waiting a while longer to see their life improved. Moreover, instead of encouraging the private sector, the government should expand and further develop the production and distributive cooperatives. It should also continue to encourage a policy of self-reliance with a measure of protection for domestic production, resisting the temptation of the quick-fix solution that the open-door policy promises. Otherwise, they maintain, the country will soon become indebted to foreign governments and companies, multinational corporations in particular. The result, as indicated by Egypt's post-Nasser *enfitah* (open-door) policy, will be increased foreign dependency and income inequality along with creation of a minority consumer market and a relative reduction in the level of industrialisation.

The former prime minister and current advisor to President Rafsanjani, Mir Houssein Musavi, is known to favour the radical alternative, although at times he has shown significant flexibility in accepting largely moderate or pragmatic policies.<sup>15</sup>

Although the eventual course is still unknown, policy-makers and planners are leaning towards a mixture in which the private sector will play a major role, with the state maintaining a strong economic and controlling position. Advocated by such a pragmatist/centrist leader as President Ali Akbar Hashemi Rafsanjani, the strategy would also incorporate a mixed market/planning framework to guide the coexisting public, private and cooperative sectors.<sup>16</sup> But the sector most favoured is the privately organised cooperatives which bring, in Rafsanjani's words 'a large number of people together as a private sector' and activate balanced economic growth. Opposed to this middle path to development is 'Western capitalism', which is both 'unjust and exploitative', and 'Eastern communism', which 'kills private initiatives' and 'instigates antagonism between the state and the populace'.<sup>17</sup> With the mixed approach the public sector is most likely to dominate industries and mines, banking systems, exports, some social services and all infrastructures, while the other two sectors will expand in housing, agriculture, small-scale productive activities, imports, and most services relating to consumption and distribution.

The mixed approach is predicated upon a non-confrontational foreign policy which seeks to export the Islamic Revolution by creating an emulative model rather than by force. (It was indeed this new thinking in foreign policy, along with economic hardship, that was responsible for ending the war.) The policy is also supposed to create more open relationships between the Islamic Republic and both East and West, and short-term reliance on foreign assistance.<sup>18</sup> Normalisation of relations with the West may be expected to follow the recent initiatives to normalise relations with the USSR. Advocates of the strategy also favour a degree of political openness and have a more positive attitude towards educated Iranians (exiles and self-exiles) living outside the country.

Ayatollah Khomeini was equivocal towards the three approaches, taking ideological and pragmatist positions in different circumstances. The Rushdie affair indicated one ideological position as did a number of decrees the Ayatollah issued in 1987, concerning the need for government intervention in the economy and other matters. In sharp contrast, while he continued to distrust the West and the East, particularly the

USA and the USSR. he approved policies that were put forward by the pragmatists and went counter to some of the declared aims or policies of the Islamic Republic. For example, he accepted the cease-fire and sanctioned post-war policy aimed at gradually normalising relations with France, Britain and Canada (to name the most important cases). Ayatollah Khomeini also took a centrist stand in an autumn 1988 communiqué outlining his views on priorities for post-war reconstruction.<sup>19</sup> The communiqué listed the following priorities: provision of all kinds of socio-economic and cultural privileges for the martyrs' families and those who helped the war efforts; improvement of the country's defence capability and development of military industries, self-reliance in agriculture and expansion of scientific and research centres; planning for public welfare provisions; liberalisation of international trade in consumer commodities, and participation of the people (that is, the private sector) in reconstruction. However, it was made clear in the communiqué that he continued to consider the USA and the USSR as enemies of Islam and of the Islamic Republic.

It must be noted, however, that the pragmatic, mixed approach remains the most vulnerable to unexpected developments that normally occur in (or in relation to) the Islamic Republic. The latest example of such an event was the uproar caused by Salman Rushdie's *Satanic Verses*. Ayatollah Khomeini's distrust of the West was almost certainly deepened in the aftermath of the affair. To most members of the Islamic leadership in Tehran the event was perpetrated by the West to inflict damage on Islam. The insensitive manner in which the British government and its Western allies handled the event only exacerbated such misgivings. Incidents such as this particularly weaken the pragmatists (whose 'liberal' policies were attacked by the Ayatollah in a speech he gave after relations with Western Europe deteriorated over the episode), indicating the immense difficulty that they face in implementing the more moderate foreign policy so critical for post-war reconstruction. The pragmatic approach is most likely to be adopted in the Islamic Republic now that the July presidential elections have brought the pragmatist faction to power. In the meantime, the July constitutional revisions have increased the president's power by eliminating the rival prime minister's office. Permanence of policy, however, would depend on advances in the peace process with Iraq (for which the pragmatists are held responsible) and improvement in economic conditions. For this reason, the new president, Hashemi Rafsanjani, and his largely pragmatist/technocratic cabinet members have indicated their commitment to conclude a comprehensive peace with Iraq at the same

time as they are putting most of their energy into reviving the economy.

The mixed approach also has the potential to generate problems. It can perpetuate the ongoing ideological debates within the state: given that it is an eclectic combination of the elements from the open-door and self-reliance strategies, proponents in both sides would continue to struggle for a bigger ideological representation in the mix. Apart from wasting a significant amount of the time and energy so badly needed for the reconstruction, the strategy could also lead to worsening economic conditions, at least in certain areas. In particular, the relaxation of international trade could lead to a diversion of existing private investable savings (a huge sum, at 12,000–15,000 billion rials) to profitable import–export services and away from productive sectors. While employment may not rise significantly, income concentration would certainly worsen. Demand for foreign exchange would also rise, as would the trade deficit, leading to a further decline in value of the rial. The inevitable consequences would be higher inflation and a worsening of the already weakened purchasing power of the majority. A mixed approach could avoid these pitfalls were the state to place strict controls on the expansion of international trade and domestic services. It could impose higher taxes on investments in these activities and make them subject to cumbersome licensing. A recent bill imposing value-added taxes on luxury consumption goods and services is a step in the right direction.<sup>20</sup> The state could also devise effective incentive policies to guide wandering savings in the direction of productive investments.

Despite their differences, all parties to the debate are in agreement over a number of fundamental issues: the nature of the Islamic system they wish to construct, and the less ideological policy matters. In particular, they agree that domestic resources should be used to their maximum capacities, foreign dependency should be avoided, public participation (meaning various things to different factions) should be encouraged, and the war-damaged areas and peoples should receive added attention.

They also agree that investment priority should be given to the following critical areas: promoting defence industries and related establishments; repairing and expanding infrastructures (such as science and technology research, power plants, roads and port facilities); rebuilding oil industries (including oil wells, refineries, and petrochemicals) and oil exports facilities including pipelines and wharves; developing agriculture and its supporting infrastructures, including dams, canals and other irrigation networks; rebuilding and expanding construction industries

including cement and glass factories; reconstructing damaged basic industries, including steel and machine tools complexes; redeveloping certain war-damaged localities and cities, and attending to the immediate needs of war-inflicted families. Some of these priorities were also emphasised in the communiqué from Ayatollah Khomeini.

It is also believed (as outlined in the recently revised and amended First Socio-Economic and Cultural Development Plan of the Islamic Republic) that economic reconstruction will go through three more or less distinct stages.<sup>21</sup> In the first stage, resources and efforts will be directed towards the maximum use of existing productive capacities (oil and gas in particular), infrastructures and human forces. Agriculture and rural development are also emphasised. This stage aims to restore the economy to its normal functioning and increase oil exports to generate as much foreign exchange as possible. In the second stage, oil revenue will be used to achieve economic growth and a higher per capita income. Finally, the growth process will be consolidated and made independent of the oil sector. Only then, according to the plan, will achieving the goals of social justice and economic self-sufficiency become feasible. (Neither the duration of each stage nor its implementation strategy is indicated.) What appears certain is that the government will rely heavily on the oil revenue for the reconstruction.

### Financing options for reconstruction

The oil sector aside, the government will seek to generate foreign exchange from other sources. It seems certain that the leadership will not in the foreseeable future invite direct foreign investment. Rather, they will attempt to use foreign revenues in buy-back or usance schemes.<sup>22</sup> For example, if foreign parties are asked to build or renovate a plant, or provide raw materials, one would attempt to pay them back by asking them to take delivery of the product or export to other countries. It is hoped that this financing strategy might be used to promote the country's non-oil exports. Alternatively, foreign companies may be asked to consider their investments as medium-term loans to the government, to be paid when the project is completed or production begins. The radical faction rejects the buy-back idea because this 'trap' will allow the 'foreigners to make policies for our basic industries . . . they will become the real investors while we will be reduced to a broker between them and the Third World where the products will be sold'.<sup>23</sup>

A proposal presented by Iran's minister of economy and finance to

the visiting West German minister of foreign affairs (Tehran, autumn 1988) could become a model for the involvement of foreign firms in Iranian reconstruction projects. The proposal called for the establishment of a consortium comprising several of West Germany's major banks, oil companies and industrial concerns. Iran would borrow money from the banks within the consortium, spend the money on projects contracted to industrial concerns within the consortium, and repay the loans by selling oil to the oil companies within the consortium.<sup>24</sup> Iran hoped that this tactic would get more multinational firms involved in the country's reconstruction, without relying too heavily on any single one.

Iran also seems to prefer loans from international agencies such as the World Bank and the IMF than from commercial banks and governments. Although the constitution prohibits the government from taking foreign loans, except those approved by the parliament, this option is being discussed within the state. Ayatollah Khomeini was reported to be angry about a confidential letter sent to him by some influential leaders of the republic requesting his permission for foreign loans. However, in a February 1989 press conference, the minister of oil and minerals, Gholamreza Aghazadeh, disclosed that 'The present government has made a number of policies on taking loans. The major policy is that we will be able to get loans for important infrastructural problems.' A *New York Times* reporter also paraphrased the minister as saying that 'Iran would strictly limit its borrowing to revenue-producing projects and that such borrowing would not exceed \$3 billion over the next five years' and that the decision follows 'long debates within the leadership that have been finally settled in favour of a more pragmatic approach backing a vigorous reconstruction of the Iranian economy'.<sup>25</sup>

Wealthy Iranians living outside the country are also considered to be a possible source of foreign exchange and potential investors. However, this channel will be tightly controlled and may be opened only as a last resort. Other possibilities include increasing solidarity within OPEC for a rise in oil prices—a consideration that led Iran to accept a proposal establishing parity in production between itself and Iraq in November 1988, a major concession. Iran has also leaned its Gulf diplomacy towards establishing pragmatic and neighbourly relations with the Gulf states, including Saudi Arabia and Kuwait.<sup>26</sup> The new Gulf diplomacy is intended to generate interest on the part of the governments, financial institutions and investors in the region in helping the Islamic Republic to rebuild its economy. The post-war trade liberalisation policy concern-

ing prospective importers in the Gulf areas is also directed towards encouraging the transfer of foreign exchange to the country. The Gulf Cooperation Council (GCC) has proposed to establish an international fund (similar to one suggested in resolution 598) to help reconstruction in both Iran and Iraq.<sup>27</sup> The GCC is, however, making the proposal conditional on a comprehensive peace settlement which it has so far done little to foster.

Promoting Iran's non-oil exports is another source of foreign exchange, but one limited by their never having exceeded \$1 billion in recent history. Mineral resources, which are rich and diverse, have not been fully exploited because of excessive emphasis on the production and export of crude oil. However, the limitation posed by the oil market has made officials think again. In the post-war period, changes have been made in the Mines Act to make it easy for the domestic and foreign private firms to enter into joint exploration and export ventures with the government.<sup>28</sup> This potential source of foreign exchange, however, will not bear fruit in the immediate future. But natural gas is plentiful (Iran's reserves are second only to those of the USSR) and ready for exploitation. The government has settled disputes with the USSR (the country's only customer) over pricing and other technical details, and export of natural gas to the USSR resumed last summer. The package deal with the USSR also includes a multi-billion dollar trade and economic development pact.<sup>29</sup> It must be noted, however, that the deal will not produce foreign exchange for Iran; it will result in increased Soviet technical assistance and technology transfer to the country.

Finally, Iran hopes to make limited use of the \$7 billion in assets frozen by the US government and money lent to foreign countries by the late Shah. Standing against this sum, however, is about \$5 billion in short and long-term debts incurred by the previous regime and by the Islamic Republic in recent years. Moreover, some of the debtors (including France) have been unwilling to repay their debts in hard currency. Instead, they have been negotiating deals under which Iran would be paid in commodities of various types. One such deal has reportedly been concluded with France, which will participate in the construction of Tehran's underground railway and sell eight airbuses and food items to Iran.<sup>30</sup> The UN assistance and money made on the limited foreign investments are negligible, but savings from the reduced insurance and transport costs for oil exports following the cease-fire are significant.

### Other obstacles

Besides a shortage of foreign exchange, there are other major obstacles to reconstruction. First, there is the shortage of college and university graduates and technicians. (For example, skilled carpenters and mechanics are particularly in short supply.) Statistics for the Iranian year 1365 (1986–87) indicate that there were only 542,228 specialists in the country, 50 per cent of whom were graduates in technical subjects. This means that the ratio of graduates in applied fields to the total population was very low: 300 per 100,000 population (compared to 5,500, 5,200, and 5,100 for Japan, the Netherlands, and the USSR respectively). The figure for technicians is even more disappointing: 600 per 100,000 population (compared to 25,000 in Japan). Higher education remains underdeveloped and the sector never recovered from the damage inflicted during the cultural revolution (when the universities were closed for four years), and because of the mass exodus of scientists, instructors and researchers. The training of technicians is also underway, but is nowhere close to meeting needs.<sup>31</sup> Even more disturbing is the fact that a good number of those available remain unemployed. In 1983, for example, some 37,000 people with college or university education were jobless, of whom around 23,000 were previously employed.<sup>32</sup>

The great need for people who can build complex institutions such as basic industries and infrastructures will be filled by foreign expertise. The process has already begun with the signing of contracts with various firms from Japan, West Germany, Italy, France, Turkey, China, the USSR, Eastern Europe, South and North Korea and Brazil. There are already a good number of foreign experts working on different industrial projects.<sup>33</sup> The government is also giving financial support to hundreds of students in universities around the world, including many on scholarships in the USA. However, the number of financial aid recipients remains much smaller than under the Shah's regime. Pleas have also been issued for the return of Iranian experts living outside the country. Yet, the most surprising measure taken by the government to remedy the situation involves a contract (signed with West Germany in autumn 1989 and temporarily suspended following the Rushdie affair), according to which West German universities would train Iranian specialists in construction techniques and urban planning to prepare them for designing and implementing more complex reconstruction projects.<sup>34</sup> Similar contracts were numerous under the Shah. Skilled managers and

administrators are also in short supply, but the government will not turn to foreign expertise in this area. It may, however, seek help from educated Iranians currently living in the USA and Europe.<sup>35</sup> Again, timing becomes important: if reconstruction were a slow process skills could be developed internally (as in the oil industry), relying less on external help. This is one reason why some defend the more gradual process.

Another significant obstacle to the reconstruction is the lack of appropriate institutions and the existence of too many organisations with similar functions and inappropriate practices.<sup>36</sup> Examples include the Ministry of Agriculture versus the Ministry of Reconstruction, interest free loan institutions versus the banking system and, most significantly, the Foundation for the Eighth Imam (Astan-e Qods-e Razavi) versus the government. The post-war addition to this list is the Council of Policy Making for Reconstruction which at one time was duplicating the government function of drawing a plan for reconstruction of the national economy. Before reconstruction can be launched, the problem of parallel organisations must be resolved, perhaps by eliminating some and integrating others.<sup>37</sup> Indeed, a number of recent parliamentary bills has taken up this problem. The most significant step taken to date, however, was the constitutional changes that were made in July 1989.<sup>38</sup> The changes have, in particular, led to a more centralised and unified state. The presidency has become more powerful, now concentrating most policy apparatuses under the control of a single person.

There are problems of an even more critical nature. The state must decide whether there are limits to private ownership and wealth accumulation. If so, the specifics of such limits must be clearly spelled out. Otherwise, wandering private cash holdings will fail to contribute to the reconstruction of productive sectors: it would remain partly idle, with the rest continuing to be invested in services and leaving the country. The state must also decide whether international trade will be nationalised (as mandated by the constitution) and, if not, what its specific role in a more liberalised trade policy will be. The joint opposition of the *Bazaaris* (big merchants) and the conservatives in the government has so far prevented any major reforms in private ownership laws and international trade policy. There were, in the period of post-war 'push', some signs of an attempt to legitimate the limited accumulation of wealth and the establishment of a state controlled (but largely privately owned) international trade, but the issues are by no means near resolution.

Finally, the state also has to make quick decisions about such important and pending reforms as tax and land, income distribution, women's rights, labour law, political democracy (including freedom for political parties and the press) and reorganisation of the country's provincial administration. These and problems of social security remain among the most formidable facing the Islamic Republic. Some of these reform issues have been taken up on several occasions since the revolution and progress has been made in such areas as limited land redistribution, institution of a less regressive tax system and provision of subsidies for basic needs.<sup>39</sup> In the post-war period, and after a massive execution of political prisoners, the state has taken initial steps towards allowing freedom of activities for political groups with an Islamic ideology and within certain constraints.<sup>40</sup> The harsh treatment of 'bad-veiled' (*bad hejab*) women has been somewhat relaxed, as have restraints in a number of other socio-cultural areas, such as music and television shows. More needs to be done, however, before the most pressing general demand—for social security (*amniyat-e ejtemai*)—is granted to their satisfaction.<sup>41</sup> It is clear that people who do not feel secure cannot contribute to the development of their community. In other words, the post-war reconstruction must begin with the resolution of the social security problems of the nation before it can become successful in rebuilding the economy. The problem of social security (*amniyat-e ejtemai*) involves both economic well-being and political freedom. The fact that these issues are being debated within the state in the post-war period is, by itself, the most encouraging development.

#### **No peace, no war state and reconstruction**

In conclusion, the damage done by the war is enormous: there are monumental domestic and international obstacles to reconstruction. Clearly, there also exist many options, potentials and facilitating forces. On balance, however, the forces of constraints, I believe, are too robust to be coped with by any single political group, either within the state or outside it: post-war reconstruction is a task no single force in Iran can undertake with any noticeable success in the foreseeable future. What is needed is a true national union in which a solid majority of Iranians would participate. The primary purpose should be the creation of domestic peace, democracy, social security and public participation, all of which are critical preconditions for successful reconstruction. These are obviously major political issues and may not be achieved simply in the

short term. The political cleavage between the Islamic Republic and the opposition is simply too wide, as are the divisions between the various political factions within each of the two camps. Perhaps significant compromises will have to be made by all sides to avoid huge costs to the nation.

The lasting peace needed for reconstruction faces great difficulties, mostly because of Iraq's unacceptable territorial claims (particularly total sovereignty over the Shatt al-Arab waterway).<sup>42</sup> A no peace, no war situation will not only slow reconstruction down, it will lead to inefficient use of scarce resources and, thus, be detrimental to Iran's principal goal of immediate and rapid economic growth. In particular, it will force the government to continue pouring a significant portion of its scarce foreign exchange and skilled labour force into defence, which has become even more justifiable in the wake of the increased Iraqi military purchases that followed the cease-fire.<sup>43</sup> The ensuing arms race will, in turn, endanger the fragile cease-fire. In a late-1988 speech, President Ali Rafsanjani, (then speaker of parliament and deputy commander-in-chief of the army) indicated that Iran will not tolerate the no peace, no war situation for long.<sup>44</sup> Although the war may not be easily revived in the face of tremendous domestic and international constraints, such warnings have to be taken seriously. Both parties to the conflict are currently engaged in the rapid build-up of their military and human forces—particularly at the fronts, where the two armies are sometimes less than twenty metres apart.

Yet the world community, which at one point was devoting considerable energy and determination to end the war, has developed an apathy towards the conflict in recent months. The UN has been, for all practical purposes, abandoned by the West, East and nonaligned countries, many of whom are racing for a larger share in the countries' reconstruction projects. Even more alarming is the declining interest of such regional authorities as the Organisation of Islamic Conference, the Arab League, and the GCC. The last two organisations have even encouraged the present stalemate by supporting Iraq's territorial claims and defiance of the OPEC's rules. Saudi Arabia's position, taking the cease-fire for granted (as it does not consider Iran to be capable of a renewed war), has been particularly unproductive for the peace process. They forget Iran's tremendous potential to build a strong offensive system, and that those in the Islamic leadership who wish to punish Sadam Hussein are insignificant neither in number nor political power. The world community must again change its focus from reconstruction to

peace between the two nations, if only for the sake of world peace and their own interests in the reconstruction process.

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## Notes

- <sup>1</sup> President Rafsanjani has repeatedly warned of the unstable situation that exists between Iran and Iraq. See *Kayhan-e Havai*, 13 Mehr 1367, p 4; *Kayhan-e Havai*, 2 Azar 1367, p 4.
- <sup>2</sup> The negative impact of the no peace, no war situation on post-war reconstruction is openly acknowledged by the officials of the state. See, for example, *Economic and Political Bulletin*, 35 (7), 15 December 1988, p 21.
- <sup>3</sup> On Iran's economic loss from the war see H Amirahmadi, 'Destruction and reconstruction: a strategy for the war-damaged areas of Iran' in H Amirahmadi and M Parvin (eds), *Post-Revolutionary Iran*, Boulder, Colorado: Westview Press, 1988; *Bazsazi Va Barnamehrizi-ye Towseh Meli Va Mantaghehi* (Reconstruction and national and regional development planning), Tehran: Ministry of Planning and Budgets, 1366, prepared for presentation at the seminar on the role of research in post-war reconstruction, Shiraz University, 1366 (hereafter, *Bazsazi*); *Kholaseh-e Gozaresh: Baravard-e Khasaret-e Eqtesadi-ye Jang-e Tahmili-ye Araq Aleyh-e Iran Ta Shahrivar Mah-e 1364* (Summary Report: an estimate of the economic damage of the imposed war of Iraq against Iran until September 1985), Tehran: Ministry of Planning and Budgets, 1986 (hereafter: *Gholaseh-e Gozaresh*), 7 and 8 (8 was published in 1988).
- <sup>4</sup> The human damage of the war was reported by the minister of Islamic guidance as follows: number of dead: 123,220 military personnel (of which 80,000 belonged to the Revolutionary Guard Corps and 30,000 to the regular army) and 11,000 civilian population; number of missing in action: 60,711; and number of POW in Iraq: 30,000. See *Kayhan-e Havai*, 13 Mehr, 1367, p 23. These figures were released less than a month after the cease-fire and may well be underestimated. See *New York Times*, 19 September 1988, which put the total number of dead at 300,000 for Iran and 120,000 for Iraq. See also H Amirahmadi, 'Destruction and reconstruction: a strategy for the war-damaged areas of Iran' in *Disasters: international journal for disaster studies and development*, 11 (2), 1987, pp 134-47.
- <sup>5</sup> For the names and location of the damaged cities see H Amirahmadi, 'War damage and reconstruction in the Islamic Republic of Iran' in H Amirahmadi and M Parvin (eds), *Post-Revolutionary Iran*, p 127.
- <sup>6</sup> For more detail see H Amirahmadi, *The Iranian Economy Since the Revolution*, Albany, New York: State University of New York Press, forthcoming.
- <sup>7</sup> For example, in a speech by the minister of planning and budgets (delivered by the director of the macroeconomic office) at the International Conference on Aggression and Defence, Tehran, August 1988 (author was among the participants); and *Tarh-e Moghadamati-ye Harakatha-ye Kollī-ye Keshvar Bad Az Jang-e Tahmili* (A preliminary look at the overall trends in the country's economy after the imposed war), a non-published government document, Tehran: Ministry of Planning and Budgets, no date (hereafter, *Tarh-e Moghadamati*).
- <sup>8</sup> *Tarh-e Moghadamati: Kholaseh-e Gozaresh* 8; and interview 1988 (reference is to the interviews and discussions I held in Tehran during the summer of 1988 with a number of government officials and informed sources).
- <sup>9</sup> The estimates are based on information given in *Tarh-e Moghadamati: Kholaseh-e Gozaresh* 8; and interview 1988.
- <sup>10</sup> According to President Hashemi Rafsanjani 'during the war some 60 to 70 per cent of the country's income was spent on the war . . .' See *Iran Times*, 30 Tir 1368, p 2.
- <sup>11</sup> See H Amirahmadi, 'Reconstruction: Iran debates its strategy', *Middle East Executive Reports* 12 (7), July 1989, pp 9 and 14-17.
- <sup>12</sup> *Tarh-e Moghadamati* and *Kavhan-e Havai*, 4 Aban 1367, p 3.
- <sup>13</sup> See Rafsanjani's sermon at the Friday prayer on 28 Mordad 1367, printed in *Kayhan-e Havai*, 2 Shahrivar 1367, p 9.
- <sup>14</sup> *Kavhan-e Havai*, 9 Shahrivar 1367, p 9; and 20 Mehr 1367, p 9.
- <sup>15</sup> *Kavhan-e Havai*, 27 Mehr 1367, p 11.

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- <sup>16</sup> See Rafsanjani's sermon at the Friday prayer on 28 Mordad 1367, printed in *Kayhan-e Havai*, 2 Shahrivar 1367, p 9.
- <sup>17</sup> *Kayhan-e Havai*, 4 Aban 1367, p 10.
- <sup>18</sup> See Rafsanjani's statement on the occasion of the Seminar for Cultural Elevation of the Reconstruction in *Kayhan-e Havai*, 30 Azar 1367, p 3.
- <sup>19</sup> *Kayhan-e Havai*, 20 Mehr 1367, p 3.
- <sup>20</sup> *Kayhan-e Havai*, 7 Day 1367, p 25.
- <sup>21</sup> 'Reconstruction policies clarified', *Iran Focus* 1 (2), November 1988, pp 8-10; and 'The first economic development plan', *Economic and Political Bulletin*, 35 (1), 1 November 1988, pp 5-6. See also H Amirahmadi, 'Iran: at the threshold of reconstruction' (interview). *The Urban Edge: issues and innovations* 12 (10), December 1988, pp 4-5 (published by the World Bank).
- <sup>22</sup> See Rafsanjani's statement on the occasion of the Seminar for Cultural Elevation of the Reconstruction in *Kayhan-e Havai*, 30 Azar 1367, p 3.
- <sup>23</sup> See the statement by Aboul Hasan Haerizadeh, Parliament Representative, in the open session of the parliament on 4 Day 1367, published in *Kayhan-e Havai*, 14 Day 1367, p 24.
- <sup>24</sup> 'Santa Satan: the changing Iran', an interview with H Amirahmadi, R Bulliet and J Bill, *Baron's: national business weekly* 69 (3), 16 January 1989, pp 10-11 and 17-21; see also *Kayhan-e Havai*, 2 Shahrivar 1367, p 3 (carries a statement from Deputy Foreign Minister Dr Mohammad Javad Larijani concerning the good prospects for Germany's involvement in the post-war reconstruction); *Kayhan-e Havai*, 9 Shahrivar 1367, p 13; and *Economic and Political Bulletin* 35 (6), 8 December 1988, p 5.
- <sup>25</sup> Y M Ibrahim, 'Iran may borrow at banks to revive economy', *New York Times*, 3 February 1989.
- <sup>26</sup> *Kayhan-e Havai*, 2 Azar 1367, p 6; and 27 Mehr 1367, p 9. On the parity accord see *New York Times*, 25 November 1988.
- <sup>27</sup> 'Making up with Gulf states', *Iran Focus* 2 (1), January 1989, pp 4-5. See also *Economic and Political Bulletin*, 35 (9), 5 January 1989, pp 23-4.
- <sup>28</sup> 'Reconstruction: the financing problem', *Iran Focus* 1 (3), December 1988, p 11.
- <sup>29</sup> Y M Ibrahim, 'Iran may borrow at banks to revive economy', in *New York Times*, 3 February 1989, pp A1, A6.
- <sup>30</sup> *Echo of Iran* quotes Mr Majidi, the managing director of the Islamic Republic Airlines (originally published in *Kayhan*, 23 November 1988, as reporting that on 16 November 1988 'A memorandum of understanding has been signed between Iran and France, on the basis of which Iran will purchase three Airbus within two years. Preliminary arrangements have been made for the purchase of five additional aircraft.' He is then quoted to have said that 'An Airbus can carry 280 passengers on domestic flights. It costs \$US sixty to seventy million.' See *Economic and Political Bulletin* 35 (1), December 1988, p 4. See also *Kayhan-e Havai*, 2 Azar 1367, p 11.
- <sup>31</sup> 'The drive to lure back specialists', *Iran Focus* 1 (3), December 1988, pp 12-13.
- <sup>32</sup> *Kayhan-e Havai*, 5 Bahman 1367, p 13.
- <sup>33</sup> See President Khamanei's sermon at the Friday prayer on 4 Shahrivar printed in *Kayhan-e Havai*, 9 Shahrivar 1367, p 9. See also *Kayhan-e Havai*, 19 Day 1367, p 8.
- <sup>34</sup> On 15 Azar 1367 Iran and the Federal Republic of Germany signed a Memorandum of Understanding concerning construction projects. See *Kayhan-e Havai*, 23 Azar 1367, p 11.
- <sup>35</sup> *Kayhan-e Havai*, 23 Azar 1367, p 2; and 12 Mordad 1367, p 10.
- <sup>36</sup> 'Zarorat-e Bazsazi-ye Tashkilat-e Edari' (The need for reconstruction of administrative apparatuses) in *Soroush*, 21 Aban 1367. See also *Kayhan-e Havai*, 4 Aban 1367, p 24; 29 Tir 1367, p 24; 23 Azar 1367, p 19; and *Jomhuri-ye Islami* daily, 7 Shahrivar 1367, p 5.
- <sup>37</sup> *Kayhan-e Havai*, 4 Aban 1367, p 24; and 27 Mehr 1367, p 14.
- <sup>38</sup> 'IRGC merger postponed', *Iran Focus* 1 (1), October 1988, p 7; and 'Changes in the constitutional law', *Economic and Political Bulletin* 35 (7), 15 December 1988, pp 5-6; and 'Constitutional amendments on the way', *Iran Focus* 2 (1), January 1989, p 6-7.
- <sup>39</sup> H Amirahmadi, 'Middle-class revolutions in the Third World', in H Amirahmadi and M Parvin, *Post-Revolutionary Iran*, pp 225-44.
- <sup>40</sup> Reports of the executions were carried by most of the Western press including the *New York Times*. The UN passed a resolution on the human rights situation in Iran, and Amnesty International published several statements. See 'Statement of Amnesty International about the recent

executions in Iran'. *Economic and Political Bulletin* 35 (8), 22 December 1988, p 19-20; and 'Amnesty International's statement to the 45th session of the UN commission on human rights', *Economic and Political Bulletin*, 35 (14), 9 February 1989, pp 23-24. See also Mohammad Javad Larijani, deputy minister of foreign affairs, on the execution of Tudeh leaders, *Economic and Political Bulletin* 35 (9), 5 January 1989, p 4. See further 'UN human rights resolution stings', in *Iran Focus* 2 (1), January 1989, p 7. On the government responses to these charges see 'Rafsanjani attacks Western records on human rights', *Economic and Political Bulletin* 35 (8), 22 December 1988, p 20-22; and 'UN human rights resolution stings', p 7.

<sup>41</sup> In my two summer 1988 trips to Iran I learned that the most frequent complaint voiced by the crowds in the streets was about the lack of social security (*amniyat-e ejtemai*) in the country. When asked to define what they meant by the phrase, most people listed a variety of problems ranging from physical abuses by members of the revolutionary committees to socio-economic poverty and concerns for lack of political and individual freedom.

<sup>42</sup> 'No breakthrough in peace talks', *Iran Focus* 1 (3), December 1988, pp 2-3; and 'Impasse in peace process', *Iran Focus* 2 (1), January 1989, p 2.

<sup>43</sup> W Richey, 'Iraq and Iran use truce for massive arms buildups', *Christian Science Monitor* 81 (31), 10 January 1989.

<sup>44</sup> *Kavhan-e Havai*, 2 Azar 1367, p 4.