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TROUBLE IN TEHRAN

Iran's Economic Crisis

Ahmadinejad isn't bringing the oil money "to every dinner table."

BY AMIR TAHERI

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For the past five weeks, President Mahmoud Ahmadinejad's Islamic Moral Brigades have been clashing with groups of young Iranians on the streets of Tehran and other major cities over the government's crackdown on "immodest dress." The crackdown is seen by many Iranians as another step toward an even more suffocating social atmosphere in the crisis-stricken country. Both Mr. Ahmadinejad and his mentor, the "Supreme Leader" Ayatollah Ali Khamenei, claim that the way young Iranians dress is the most immediate threat to their Islamist dystopia.



Iranian workers clash with security men.

Television footage of young men and women engaged in scuffles with Moral Brigades may lead some in the West to assume that the opposition to the Khomeinist regime is mostly urban and middle class, and solely concerned with greater social freedoms. That, however, is only part of the story. While social issues continue to poison life in the Islamic Republic, it is economic issues that spell the most trouble for Mr. Ahmadinejad's struggling presidency.

Last week tens of thousands of angry workers, forming an illegal umbrella organization, flexed their muscles against President Ahmadinejad on International Labor Day in Tehran and a dozen

provincial capitals. Marching through the capital's streets, the workers carried a coffin draped in black with the legend "Workers' Rights" inscribed on it. They shouted "No to slave labor! Yes, to freedom and dignity!"

Mr. Ahmadinejad centered his 2005 presidential campaign on a promise to "bring the country's oil money to every family's dinner table." After the election his position was boosted by a dramatic rise in oil prices, providing him with more than \$100 million a day in state revenues. And, yet, all official statistics show that, with inflation running around 18% and unemployment jumping to more than 30%, the average Iranian is worse off than three years ago. Under the previous administration of President Mohammad Khatami, the Islamic Republic scored average annual economic growth rates of around 4%. In a nation that needs to create a million new jobs to cope with its exploding demography, that kind of growth was certainly not enough to point to

any Eldorado anytime soon. But it was enough to prevent the economy from sinking. Under President Ahmadinejad, however, the growth rate has dropped to around 3%--and that despite rising oil revenues.



Because it controls the oil revenue, which comes in U.S. dollars, the Islamic state has a vested interest in a weak national currency. (It could get more rials for the same amount of dollars in the domestic market.) Mr. Ahmadinejad has tried to exploit that opportunity by printing an unprecedented quantity of rials. Economists in Tehran speak of "the torrent of worthless rials" that Mr. Ahmadinejad has used to finance his extravagant promises of poverty eradication. The result has been massive flights of capital, mostly into banks in Dubai, Malaysia and Austria. Ayatollah Mahmoud Shahroudi, the Islamic Chief Justice, claims that as much as \$300 billion may have left the country since President Ahmadinejad was sworn in.

According to Abbas Abdi, a Tehran researcher and loyal critic of the regime, Iran is experiencing its worst economic crisis since the late 1970s. The effects of this are seen in the slowdown in real-estate prices--the first since 1997, even in Tehran's prime districts. Printing money and spending on a no-tomorrow basis are not the only reasons for the crisis. President Ahmadinejad's entire economic philosophy seems to be designed to do more harm than good.

The president's favorite catchword is "*khodkafa'i*" or "self sufficiency." To the horror of most Iranians, especially the millions connected with the bazaars, who regard trade as the noblest of pursuits, Mr. Ahmadinejad insists that the only way Iran can preserve its "Islamic purity" is to reduce dependence on foreign commerce.

"Whatever we can produce we should do ourselves," the president likes to say. "Even if what we produce is not as good, and more costly." His rationale goes something like this: The global economic system is a Jewish-Crusader conspiracy to keep Muslim nations in a position of weakness and dependency. Thus, Muslims would do better by relying on their own resources even if that means lower living standards.

One of President Ahmadinejad's first moves was to freeze a six-year-old policy designed to help the Islamic Republic become a member of the World Trade Organization; in his book the WTO is just another "Jewish-Crusader" invention to cement the inferior position of Muslim economies. It was with reference to "*khodkafa'i*" that Mr. Ahmadinejad decided to harden the regime's position on the nuclear issue, even if that meant United Nations sanctions and war with the U.S. The Iranian president claims that the seven countries currently capable of producing nuclear fuel plan to set up a global cartel and control the world market for enriched uranium, once mankind, having exhausted fossil fuels, is forced to depend on nuclear energy.

Convinced that Islam is destined for a "clash of civilizations" against the "Infidel"--led by the U.S., of course--President Ahmadinejad is determined to preserve what he regards as the Islamic Republic's "independence." One of his favorite themes is the claim that, forced to choose between freedom and independence, good Muslims would prefer the latter.

Khodkafa'i has had catastrophic results on many sectors of the Iranian industry. Unable to reduce, let alone stop, imports of mass consumer goods (including almost half of the nation's food) controlled by powerful mullahs and Revolutionary Guard commanders, President Ahmadinejad has tightened import rules for a range of raw materials and spare parts needed by factories across the nation. The policy has already all but killed the once-buoyant textile industry, destroying tens of thousands of jobs. It has also affected hundreds of small and medium-size businesses that, in some cases, have been unable to pay their employees for months.

Mr. Ahmadinejad has also used khodkafa'i as an excuse to freeze a number of business deals aimed at preventing the collapse of Iran's aging and semi-derelict oil and gas fields. He has also vetoed foreign participation in building oil refineries, forcing the Islamic Republic to import more than 40% of the refined petroleum products consumed in Iran. The prospect of a prolonged duel with the U.N., and possible military clash with the U.S., has also hurt the Iranian economy in the past six months.

One result of the president's weird policy is the series of strikes that have continued in Tehran and at least 20 other major cities since last autumn. Last year, one major strike by transport workers in Tehran brought the city of 15 million to a standstill for several days. Right now tens of thousands of workers in industries as diverse as gas refining, paper and newsprint, automobile, and copper mining are on strike.



President Ahmadinejad, however, is determined to impose what looks like a North Korean model on the Iranian economy. He has already dissolved the Syndicate of Iranian Employers (SKI) as a capitalist cabal, and plans to replace it with a government-appointed body. He is also pushing a new Labor Code through the Islamic Majlis (parliament) to replace the existing one written with the help of the International Labor Organization in the 1960s and amended in 1991.

The proposed text abolishes most of the rights won by workers throughout the world as a result of decades of social struggle and political reform. President Ahmadinejad believes that Western-style trade unions and employers' associations have no place in a proper Islamic society where the state, representing the will of Allah, can keep the "community of the faithful" free of class struggle, a typical affliction of "Infidel" societies.

Mr. Ahmadinejad's next coup will likely be a major privatization scheme affecting more than 40 public corporations across the country. He has promised to help the employees buy up to 10% of the shares. The rest will go to rich mullahs and Revolutionary Guard officers and their business associates, using low interest loans from state-owned banks. By the time the scheme is ready, however, the Islamic Republic may be facing too deep an economic crisis for anyone--even greedy mullahs and corrupt Revolutionary Guardsmen--to want to invest even a borrowed rial there.

Mr. Taheri is author of "L'Irak: Le Dessous Des Cartes" (Editions Complexe, 2002).

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