

Privatise to Democratiser?



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The Priority of Privatisation in Iran

by Dr Reza Molavi and Dr Hossein Salimi

Introduction

How does a state, like Iran, reach its aspirations of a home-grown, democracy? Whether the realisation of this aspiration needs an economic ground or it is an inevitable process is what we will be looking at in this essay. This seemingly far-reaching goal has been an ambition for the Iranian population for more than a hundred years. For Iran, Abbas Milani points out that its 'democratic movement is seemingly dormant, but it has endured for a century'¹. Enemies of modernity in Iran purport 'that democracy is by nature Western in origin and foreign to Iran's Islamic cultural climes'². Despite these claims, however, Iran has a long history of thinking independently about some of democracy's seminal ideas. Some studies on Shi'ite political thought have revealed that the idea of democracy has played a main role in the thoughts of Shi'ite leaders like Imam Ali³. But, a significant question arises: why could democratization not be realized in such a society? And is there any relationship between democratisation and privatisation as a socio-political phenomenon?

In current Iranian society, as well as during many historical periods, the centralisation of the sources of wealth has been one of the main obstacles retarding/hindering democratisation. In the long history of the nation, water and oil have been the main sources of wealth and the main source of political power at the same time. This paper aims to elaborate the rela-

tionship between the structure of the Iranian economy and the democratisation process in Iranian society; in other words, we shall look at the priority of the liberalisation of the economy through privatisation and the socio-political impact of such a programme in the community, which we anticipate could be the outcome of such a process.

This policy brief also looks at the value of privatisation in examining the process of democratisation within the Iranian economic infrastructure, which is the main source of wealth in the Iranian economy.

Conceptual Considerations

Before analysing the relevance of privatisation to democratisation, we need to define and clarify our main concepts. For Iranian people who have a long history of democratic movements, home-grown intellectuals and thoughts, home-based democracy has a special meaning. In this society, we can define democratisation by three main indicators: the institutionalisation of democratic culture and concepts, the constitution of a civil society, and selecting the main rulers through free and competitive elections. Here, we shall elaborate on the definition of privatisation. Privatisation is a process of the transformation of proprietorship, ownership and control of economical assets from the government to the private and non-governmental institutions, particularly in the main sources of wealth. A review of

the literature illustrates both the variety of current research and opinions on the subject. Given the massive range of material that could be considered relevant to the question of democratisation through privatisation in Iran, selected pieces of relevant literature around this debate have been considered.

This contextualises a necessary assessment of the research question: What are the determinants of the Iranian policy of privatisation whereby we can assess whether by privatising the main industries in Iran we could arrive at a modus vivendi which could lead to the democratisation of the Iranian political economy? Naturally, for clarity of expression and for as comprehensive an analysis as possible, this question must be broken down into more manageable (if clearly interrelated) sub-questions, which will then be drawn together for an overview with wide-ranging consequences for the understanding of the possibilities and risks of the privatisation of Iranian industries.

These sub-questions, briefly summarised, include: What can be learned and/or understood from comparable privatisation theories and policies in order to better address the Iranian situation? What impact do the specific political, economic, legal, structural and historical circumstances of Iran have upon its potential to privatise these industries? What lessons can be learned from privatisation in order to draw strength and utilize it as an impetus to push through

liberalisation and democratisation? And, finally, which external issues (in the Middle East, the West and international organisations) need to be taken into consideration so that the study may be not only comprehensive but also practicable in today's reality?

Resource Power Politics: Democracy through Privatisation and Constitutional Reform

In considering the matter of possible theoretical approaches to the previously outlined research question, there are several definitions that are necessarily addressed. For example, the term privatisation and/or democratisation itself must be understood to have a concrete meaning if the research outcomes are to be broadly understood. The definition accepted within this study does not automatically limit what can be understood as the realm of possibility for Iranian privatisation, precisely because it is clearly defined as encompassing a number of possible forms-highlighted by Homa Katouzian⁴. The scope of privatisation may be full or partial, may occur through various methods (through the public offering of shares, tender, or negotiations with an investor), and be completed with a domestic or foreign investors, or even a combination of both. Similarly, the types of seller and state ownership may vary, with states either restructuring the enterprise or not, and with sellers being governmental ministries, specialised state organs, an intermediary, or the Enterprise Board.

For Fukuyama, the changes in the system of ideas in a society has priority, but the question is,

whether without a structural change in the economy, the transformation of the ideas can be realized, and if yes, will it be useful or not?⁵

In the contemporary history of Iran, the constitutional revolution of 1906 is the starting point on the path towards democratisation as well as nation-building in the country. There is no doubt that the modern idea of democratisation, either in Shi'ite spirituality or in the first generation of Iranian intellectuals, was the main impetus for this significant change in Iran. The impact of the West, during the revolution in 1909, was undermined by two different approaches. Those Western countries, particularly the United Kingdom as the major political power in that era, affected both economic and political changes in society, in Iran. They encouraged political revolution towards democratic changes and promoted formulating a democratic constitution and institutions. However, in the economic area they destroyed the traditional part, leaving it without a constitution and modern and efficient institutions. As Ervand Abrahamian states, the penetration of the West in the Iranian economy during and after the revolution threatened the many urban bazaars and thereby gradually led to the formation of a small middle class who had no relationship with the main body of society, especially its religious background of Shi'ite spirituality⁶. This is one the main reasons for Iranian religious groups' distaste for democracy and democratic changes. This dichotomy in the constitutional revolution testifies that democratic changes, without efficient economic ones, lead to a negative perception of democracy as a conspiracy of foreigners.

The necessity for liberalisation of the economy in the process of democratisation in Iran ultimately brought about the nationalisation of the oil industry movement (1953-54), led by Mohammad Mossadeq. As Sam Ghandchi points out, "Although I think nationalization of oil by Dr. Mossadeq was a great achievement for Iran in its quest for independence, but I think the next step was not to keep it as a "nationalised" industry, in essence as a state property, whereas with a privatization plan it would have created the economic foundation for democracy in Iran⁷." Mossadeq is still a symbol of democratic movement in Iran, but his efforts to reach his goal were defeated. Now, we can note that the lack of private institutions, a middle class and the centralisation of the oil industry in the hands of the government caused the defeat of the movement⁸, and the Western powers' intervention led to the collapse of the popular government, putting an end to the historical deadlock of democratisation in the country. The question we wish to ask now is whether this sort of policy could be sufficient or the extension of economic and industrial relations toward liberalisation of the economy and privatisation of the oil industry in Iran is necessary. The experience of the nationalization of oil in Iran indicates that a democratic change without economic liberalisation could be defeated. The political circumstances, since 1953, have revealed that without a strong private sector infrastructure, any realization of democracy is impossible. Moreover, a strong private sector may change management methods, work culture, and the kind of democratic process necessary for decision-making.

In sum, these factors influence the decisions made regarding the volume of the privatised assets, the economic sector into which they fall, and whether the investor has a monopoly or non-monopoly market share of the enterprise. It is the intention of this paper to draw strands of similarity in the exercise and implementation of a privatisation policy, to the realisation of democracy in the Islamic Republic of Iran. Interestingly, this thought fits neatly into a political economic assessment of Iran's history. However, it also introduces concepts of unpredictability in national politics and the mindsets of the policymaking individuals involved, as well as the increasing importance of modernisation, liberalisation of the economy and democratisation of the political process as the political approach within the state.

This raises serious questions and concerns for the lack of a clear definition within the Iranian constitutional system. The complexity and, at times, obscure nature of the legal and institutional framework make the primary data invaluable. It is only through an attempt to understand how the oil, gas and other industries in Iran is understood by the elite who work within them that any assessment of the possibility for their privatisation in Iran can take place and through this undertaking one could anticipate a pluralistic and liberalised economy leading to democratisation.

These clarifications, however, can only define privatisation and how it could be used as an impetus for democratisation in general, and there are further matters of definition that must be applied to the Iranian case. Any interest in privatisation in Iran specifical-

ly, must take into account the impact of its role as an Islamic State in the regulation of the right to property. Although Islamic perspectives upon the right to property neither prevent the pursuit of wealth, nor the possession of property on a basic level, it remains a fundamental precept that 'Man can only hold property that in reality belongs to God'. Given that the Iranian constitution claims to be based upon Shari'a, there are definite implications for the understanding and acceptance of privatisation within this context.

Fundamental Steps towards Democracy: Property Rights and Comparative Considerations

These influences upon any future policies will extend the complications of the limitations of property rights that are inherently encountered during the privatisation process. These are: limitations upon the right to use and manage property, in which the new owners/investors may be under an obligation to preserve the area of activity, limit relations with third parties, or limit the percentage of owned shares; limitations upon the right to revenue, often in the form of further obligations (regarding levels of employment, levels of investment, and debts payments); and limitations upon the right to sell or exchange, primarily affecting the volume of either assets or shares that can be sold to third parties⁹.

Definitive terms also have an impact upon the wider approach of this paper, and it is necessary, for example, that the term privatisation is fully understood (in comparison to, say, commercialisation) in order for its implications and realm of possibility to

be fully analysed. Similarly, the related concepts of deregulation, decentralisation and divestiture are imperative for a theoretical synthesis of democracy and privatisation in Iran¹⁰.

Having fully demonstrated the scope of terminology that will be utilised here throughout, it is possible to assess specific case studies that bear relevance to the Iranian case. Comparisons between the neighbouring states of Pakistan, Azerbaijan, Turkey and India illustrate some of the benefits and disadvantages, successes and weaknesses of attempts at privatisation and liberalisation in the broad geographical area. Further comparative case studies, with states that are linked in their concern over the oil and gas industry specifically (and also their strategic concerns over oil) are undertaken with regard to both Egypt, and also China. Of course, in China and Egypt the act of privatisation per se could not bring about a democratic change; however, the progress of a gradual political development in these countries is obvious. Privatisation practices in many Latin American countries in the 1990s mostly failed to take these issues into consideration, resulting in large-scale harm to societal welfare while not fulfilling the promise of a more efficient economy¹¹. This demonstrated that, as well as country-specific determinants, factors influencing the realm of possibility for the privatisation of the oil and gas industry in Iran will also be the lessons learned elsewhere, as well as the theoretical constraints provided by the definitive factors previously mentioned.

Attaining democratisation after the implementation of privatisation can be seen clearly in exam-

ples from countries with close links to the United States who vigorously promote democratisation in the region. This is of particular significance for the privatisation of the oil and gas industry, as it is one which has already been addressed separately (because of its strategic, political, or economic importance) in key states whose privatisation attempts may influence Iran's in theoretical terms at least.

The importance of the history and evolution of Iranian society, politics, economy, and international relations as determining factors in any attempts at privatisation are indisputable, and for this reason a proportion of this paper is dedicated to a full assessment of these implications, primarily within a framework of political economy. Although the treatment is chronological, a clear emphasis is consistently placed upon inter-related factors, providing a coherence of focus within the historical analysis itself, as well as providing the context and connection for the theoretical models and the empirical data. For example, current relations between the leaders of the state and Iranian society in general have evolved continuously, and must therefore be analysed in a primarily chronological manner, despite such factors as arbitrary rule, factionalism, and the state's economy (especially with regards to oil) being recurrent. Similarly, international relations as they currently stand have developed as much out of historical associations with Iran's neighbours and the West as they have from political developments and changes within Iran itself.

In 1999, President Khatami announced an ambitious program to privatize several major

industries, including car manufacturing, communications, post, rail, petrochemicals, and even upstream oil and natural gas to an extent, as part of the "total restructuring" of the Iranian economy aimed for in the Third Five-Year Economic Plan (started March 2000).

The five-year plan also targets the creation of 750,000 new jobs per year, with an average annual real GDP growth of 6%, a reduction in subsidies for basic commodities (bread, rice, sugar, vegetable oil, wheat, fuels), plus a wide range of fiscal and structural reforms. Implementation of these plans, however, has been delayed due to the lack of a domestic political consensus (as well as the Constitution)¹².

On 22 May 2005, the Supreme Leader of the Islamic Republic of Iran officially proclaimed the privatisation of the economy. This heralded a historical change in the economic history of the country. This decision was the result of long-term studies and the approval of the Expediency Council on the economic policies of the system. Ayatollah Khamenei proclaimed, "I hereby announce the general policies of Article 44 of the Constitution of the Islamic Republic of Iran. There are a number of observations and remarks in this regard that I should underline.

1. The implementation of these policies requires new legislation or possibly changes in the existing laws, and the government and Majlis need to cooperate with each other for this purpose.

2. The supervision of the State Expediency Council over the good performance of these policies is essential. This can be achieved by putting in place the

required procedures, collaboration of the relevant responsible agencies and presentation of regular annual supervisory reports on a specific date.

3. The decision regarding general policies on the development of the non-state sector through entrusting activities and ownership of state-owned enterprises will be made upon receiving reports, documentary evidence, and comprehensive consultative opinions of the State Expediency Council on the relationships between privatisation and each of the elements under Article 44, on how different factors can have an adverse impact on the efficiency of some state-owned enterprises, the implications of the transfer and ceding activity of the relevant enterprises to the non-state sector under Article 44, on the level of preparedness of the non-state sector and on sanctions and the ways available to the government to exercise its authority¹³."

With this pronouncement Iran will face a new and totally different interpretation of the constitution since the inception of the Islamic republic. According to Article 44 of the constitution, seemingly the oil and gas industries are absolutely the property of the nation and administered by the government, but this new interpretation opens up new grounds for a vast number of privatisations in all parts of the governmental enterprises and industries, including oil and gas industries. After this, a huge organisation for realising and pushing through the implementation of privatisation was formed. Heidari Kord Zangeneh, the person in charge of putting Iran's huge public sector into private hands at the time, enthused that Iran is doing better than Europe when it

comes to selling off state assets.

"France was first among European countries [for privatisation] in 2007 but it sold only 9bn [£6.7bn, \$13bn]," the chairman of the Iranian privatisation organisation told the Financial Times in his office in Tehran. "During the last 10 months we have divested assets worth 10bn." There have been some successes. Mobarakeh Steel was partly sold in March last year and further allotments are expected to be sold in the coming months, while in May 2008, five per cent of Fanavaran Petrochemical industry, worth IR320bn (\$34m, £18m, 24m) was sold on the Tehran Stock Exchange.

But progress has generally been so slow that Ayatollah Khamenei has reiterated his desire to see solid progress.

"The supreme leader said he is very unhappy about the lack of progress in privatisation," says Hatef Haeri, chief executive of Idam Consulting Group in Tehran.

Critics accuse the government of not being committed to the process, although Mahmoud Ahmadinejad, the president, included plans to raise \$5bn from privatisation in the 2008-09 budgets¹⁴.

The formal statistics point to the fact that about 30% of governmental enterprises have been privatised so far. The same process in the oil and gas industries is being pursued. This could be an unprecedented condition for combining with the global institutions and processes.

It would be worth mentioning that the privatisation process has

faced some difficulties. According to Fars News Agency, Hamid Reza Baradaran-Shoraka, who used to head the government's key executive body, Management and Planning Organization (which President Ahmadinejad has now disbanded), told a gathering of senior officials of major state and private organisations that all of the country's economic problems have been blamed on the slow privatisation process. "A closed economy, unstable policies, unscientific management systems, lack of adequate assessment systems, etc., are some of the many problems that have to be resolved before privatisation can take root," he said, stressing, however, that the government has given top priority to implementing private sector empowerment schemes.

Also speaking at a meeting, Hamid Emami, managing director of Satkab Company, an affiliate of the Energy Ministry, called on the government to do away with its current financial approach and attitude towards the privatisation programme. "Privatisation must pursue slashing the government's role in the economy and its expenses," he said, adding that the most logical privatisation mechanism is to transfer the shares of state companies to their current employees and managers¹⁵. The Iranian privatisation organisation has claimed that "Iran intends to gain the top rank not only in the Middle East but also throughout the world and with the divestiture of the shares of banks and telecommunications; Iran shall reach the highest ranking among those countries that are liberalising their economies internationally."

In his talks with ISNA,

Gholamreza Heidary Kord Zangeneh has said: "The private sector lacks any considerable incentive in the purchase of shares, since the profitable companies in the Tehran Stock Exchange are already in line for an IPO but there are no bidders for their shares. It should be examined why foreign companies are eager to buy shares of Mobarakeh Steel Company and the like, but not much zeal can be sensed among the domestic buyers." He reminded his audience: "In spite of the new financial instruments and bodies, traditional viewpoints and opinions are still dominant. Therefore, people do not wish to risk and fail in predicting probable changes in share offering during the coming year."

He finally said that: "From the beginning of the current Iranian calendar year until now (eight months), 77.000 bn Rials of shares have been divested. Currently, there are 13.000 bn Rials worth of notices for 20 per cent of the Mobarakeh, the aluminum smelting industry and other companies. With these being sold by the end of November 2008, the revenue from divesting shall exceed 90.000 bn Rials (amounting to 10 bn Rials approximately)¹⁶. Moreover, the IPO executive director reported on the preparation of shares for 757 companies to be divested to the private sector in 2005. In his talks with the Mehr News Agency, the IPO executive director also added that attempting to find a scientific framework for the stocks and shares pricing of the SOEs, revising of the executive by laws and directives, legislation of the discounts and reductions by law, examining the instalments of the previously divested companies, are only some of the steps taken

by the IPO to facilitate a smooth transition¹⁷. In the recent past, more than a hundred of the main oil, gas and petrochemical industries have been privatised by the IPO, such as Razi Petrochemical Company¹⁸.

This paper is intent in arguing that when a company is privatised, the system and process of management will be changed. Simultaneously, the relationship of the directors and workers as well as rulers and the people of a given country should also be altered. We have witnessed that after Mohammad Khatami's presidency, a sort of democratic discourse spilled over into the main body of the Islamic scholars and elite in Iran, even to the point that conservative elements among the governing elite and neo-conservatives have had to elaborate their position. The term "religious democracy" was shaped during this era. There is no doubt that improvements in this light and of privatisation and liberalisation of some parts of the economy have affected the spread of democracy.

The question is how can this model of privatisation change the socio-political atmosphere of Iranian society? What will be the impact of the process on the democratisation of the political system? There are three basic consequences as we have elucidated below:

1. The process of privatisation can form new enterprises which will play a significant role in the economic system. They will decrease the key role of political actors as well as the dependency on different sections of society as well as the individual lives of a vast number of citizens will be brought to the centre of politi-

cal power. This should have a significant impact on the ideology of citizenship as well. That said, the changed economical system and approach will impose different attitudes on the new functions of individuals and communities.

2. The process of privatisation needs new and modern social, economic and political institutions. These institutions, inevitably, forge new laws, legal jurisprudence and finally different regulatory bodies.

3. While the ownership of industries and companies are transformed, the bases of civil society will be changed. In a patrimonial government-centred economy, civil society is neither meaningful nor useful. But in a liberalised economy, with a powerful private sector, civil society can be empowered, consequently creating the bases of democratisation.

It is these considerations and for these reasons, then, that the analysis of the realm of possibility for privatisation in Iran must take into account an assessment of the political economy of the country. The internal conditions for a structural change in the economy are ready and privatisation is becoming a base for Iranian economic strategy. Furthermore, the developing roles of Islam and relations of the West with the Middle East in general (as well as Iran in particular) are deeply complex and have deep-rooted implications for all policymaking in the state, alongside no less complex matters such as the concepts of revolutionary ideology. Given the complexity and importance of these factors for both policymakers and also the overarching politics of oil, only an in-depth his-

torical analysis can provide the necessary context in which the empirical data may reasonably be introduced.

The path for Privatisation of the Oil and Gas Industry

It is of course necessary to explain the oil and gas sector, for an additional concern will be what perspectives the elite have on this sector and how its privatisation might be seen to work within existing frameworks. Naturally, the size and strategic importance of the oil and gas sector have a massive impact upon the policies surrounding it, and indeed upon the findings of this study. This is already evident from the theoretical constraints previously considered, and from the historical analysis - although its impact upon policymaking, both nationally and internationally, cannot be overstated. As well as the obvious importance of an industry of this size to the country's economy (and hence politics, as has been argued throughout), the significance of oil and gas in strategic terms must be repeatedly highlighted¹⁹. That this has had an impact upon the privatisation of these industries in other states, and yet the strategic importance of oil and gas, especially in terms of international relations, is far greater for Iran. For the development of an Iranian privatisation policy some crucial consideration should be given to issues such as the fact that the oil and gas industry within the state of Iran is unique in terms of its size, strategic importance, and value (social and economic), and as such any privatisation of it may well have to be unique, despite the importance of the theoretical models and boundaries.

It is no surprise, then, that the privatisation of the oil and gas industry is an emotive subject for the Iranian elite, whose responses form the basis of this study on democracy through privatisation in Iran. Problems of bureaucracy and class differences will be highlighted, although they are not always perceived to have the same impact upon any future policies. However, although the subject has been under great dispute (especially between the religious elite and other influential bodies) and the preferred methods were not generally agreed upon, there was a general perception amongst interviewees that privatisation reduced the burden of government and that interest and pressure-groups had played a significant role in what development there has been in the privatisation process to date²⁰.

Despite the importance of the numerous different factors affecting the research question, the specific focus has been upon the determinants of a privatisation policy and how it relates to democratisation, in order to ascertain whether there actually is the political will to privatise the Iranian oil and gas industries and move towards a more pluralistic society within Iran, with liberal democracy at the heart of its decision-making process. Overall, the prospects for privatisation can be summarised into three main areas: continued privatisation; pacing being determinant on national politics and international oil prices; and privatisation of the downstream oil industry followed later by the upstream industry.

Essentially, this study concludes that privatisation will happen in Iran, although its pace will

depend upon factors like the national and international economy and policies. What is now at stake is the extent to which this privatisation will succeed, and several important outcomes of the study demonstrate a need for restructuring and legislative development. The principal areas of importance here are the handling of national finances, the effectiveness of the bureaucracy, clarity in an investment policy, the creation of an investor-friendly environment through new tax and labour regulations, and the institution of regulatory organisations for all stages of the process. The privatisation of the oil and gas industry in Iran can succeed, but changes must be made democratically in order for it to do so. Although liberal democracy is evident in some parts of Iranian society, the governing elite has held on to a negative viewpoint, which they fear is an ideological umbrella for great power domination, whereas if privatisation can proceed successfully then the private sector of the economy can be linked to the global economy and eventually democratisation will be realised.

There are two main challenges, in other words, obstacles, in the process of policy-making in the privatisation process and progress in Iran. The first is internal. Although, the Supreme Leader of Iran has indicated that privatisation should form the main trend in economic policy in accordance with Article 44 of the constitution, there are some obstacles in the economic and political system in understanding and digesting the concept. Some bureaucrats as well as egalitarian ideological camps are against this process and are endeavouring to steer it into a dead-end.

The political competition between Hashemi Rafsanjani, the head of the Expediency Council as the person in charge of approving and supervising the implementation of privatisation, and President Mahmood Ahmadinejad as the final executive authority in seeing the fulfilment of the new policy, could be another major obstacle in this regard.

The second is external. The US pressures with unilateral sanctions and an economic embargo have created another excuse in delaying of the implementation of privatisation. It could be deduced, by simply observing the neo-cons' doctrine (which Ahmadinejad's supporters are considered to be amongst), and as Robert Kagan has stated, increasing wealth through liberalising the economy and privatisation will not lead to democracy²¹. Therefore, he differentiates between these two and suggests that by political and even military pressure, the US must prevent the growth and progress of autocratic powers and Islamic movements²². It is precisely for this reason that there is a need for a dialogue in the Iran-U.S. debate, which could invariably lead to the process of privatisation and democratisation within Iranian society. We think that the tension between the two countries and increasing U.S. pressures on Iran could deconstruct the planned liberalisation of the infrastructure as well as the establishment of a home-grown democracy in Iranian society.

Despite the possible challenging nature of this thesis, there is significant impetus for exploration in this particular field of research. This paper is geared towards offering policy considerations on

the issue of the deadlock between the US and Iran, a deadlock that has been recognised in security studies by the likes of Daniel Moran and James A. Russell²³. Have the continuous military threats and political pressure on Iran, and the economic embargo changed the progress in democratisation of the Middle East or the peace situation? As Joseph Nye has pointed out, war and violent instruments are not efficient tools for solving international problems²⁴. It is possible to elucidate this concept by constructivist language as well. As Alexander Wendt has asserted, all international phenomena are what states make of them; they are socially constructed, and as states have brought them into existence, so they can also change them²⁵. This can fit into the realm of the reasons behind the Iran-US impasse which could be changed and constructed more usefully by a different approach. If the policymakers as well as influential groups comprehend that the development and liberalisation of the economy through privatisation, and more cooperation with global institutions such as the WTO can constitute more sustainable stability in Iran-West relations and consequently, in the Middle-East and energy markets, the conditions and policymaking process could indeed change. Yet the US-led crackdown on Iran's financial system has not helped. "The sanctions have also been another nail in the coffin of privatisation - leading to large capital flight in the last two years," says Heydar Pourian, editor of Iran Economics, a reputable journal, "with high inflation and a large budget deficit; it is very unlikely that we will have a buoyant private sector²⁶."

The impetus for this research came directly from evidence accumulated during personally conducted interviews with key policymakers²⁷. This has a direct impact upon the usability of this research piece. As one interviewee commented, it is only within the specific context of the institutions and individuals within the governing elite in Iran under whom decisions regarding privatisation and democratisation will be made that any evaluation of such a sensitive and strategic industry can hope to be practicable and acceptable²⁸.

In conclusion, a summary of findings are as follows:

1. Privatisation could be an important step towards the liberalisation of the economy and consequently, promotion of modern structures for the institutions in Iran. This analysis of Iran's political economy has revealed the importance of promoting liberalisation, and particularly privatisation.
2. Privatisation can create the bases of a civil society and change the socio-political atmosphere in that society.
3. Historical experiences have demonstrated that democratic movements in such a country, without a strong socio-economic background, could not be successful.
4. The 'Political Will' for privatisation and changing the bases of a governmental controlled economy has started in Iranian society, particularly after 2004; that is a historical milestone for rapidly changing the bases of Iran's political economy.
5. Foreign pressures, interna-

tional crises and economic embargos will damage the process of privatisation and liberalisation of the economy, and as a consequence, delay the process of democratisation in Iran and beyond. Future prospects for the smooth implementation of this process suggest that by promoting liberalisation we could in fact experience democratisation, without the negative idiosyncrasies associated with its concept in the Middle East and Iran. Furthermore, we wish to argue that the concept of democratisation and the presentation of it should be seen as the by-product of liberalisation and should be promoted through diverse international structures such as the World Bank and the World Trade Organization, which promotes good governance.

An analysis of historical linkages show that attaining democratisation after the implementation of privatisation can be seen clearly in examples from countries with close links to the United States; these countries vigorously promote democratisation in the Middle East region. The political precedents framed in this study also clarify the inner workings of the Iranian governing elite, and suggest that recommendations which offer endless complexities, paradoxes and relativisms seem to slow down action. This is not going to be the road to success. Future research will investigate prospects that indicate reaching a viable solution in this volatile region of the world. Exploration into these future policy recommendations requires a genuine understanding of Iran's international relations, the strengths and weaknesses of its alliances, as well as a sober assessment of its powers, limitations and capabilities.

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