Iran slashes price subsidies, auctions off public assets to European capital

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In close collaboration with the IMF, Iran's government is eliminating price subsidies and accelerating the sell-off of public assets.

Iran's government has imposed dramatic increases in fuel, electricity and water prices in recent weeks and announced the acceleration of its privatization program.

This pro-investor economic restructuring is being implemented in close consultation with the IMF and is part of Tehran's efforts to woo European and ultimately US big business.

Yesterday, Iranian officials met with diplomats from the US, the four other permanent members of the UN Security Council, and Germany to begin negotiating the text of a "final" agreement governing Iran's civilian nuclear program. On the basis of unsubstantiated and trumped-up claims that Tehran is seeking nuclear weapons, the US and its European Union allies have imposed punishing economic sanctions on Iran that have halved its oil exports since 2011 and otherwise crippled its trade.

On April 25, Iran's government implemented the long-delayed second stage of subsidy "reform," hiking the price of gasoline, diesel and compressed natural gas.

With the aim of transferring $16 billion in costs annually from the state budget onto working people, the government raised the price of "subsidized" gasoline by 75 percent and of "semi-subsidized" gasoline by 60 percent.

Iranians are now paying 7,000 rials (28 cents) per liter for the first sixty liters of gasoline they consume in a month, up from 4,000 rials (16 cents). Any additional gas purchases will cost them 10,000 rials (39 cents) per liter.

Price subsidies for energy, staple foods, and medicines were either instituted or greatly expanded in the aftermath of the 1979 Revolution that overthrow the brutal US-backed regime of Shah Mohammad Reza Pahlavi.

Iran's bourgeois-clerical establishment has long regretted this concession and plotted to ratchet it back. Their ultimate objective is to entirely eliminate the subsidies, forcing all Iranians to pay "market," and in the case of oil and natural gas, "world" prices, for these necessities, while providing only the most impoverished with some form of limited "income support."

In 2010, Iran's government, then led by President Mahmoud Ahmadinejad, made massive cuts in subsidies. Anger over the resulting price rises and economic turmoil was a significant factor in undermining popular support for Ahmadinejad and the conservative Principalist faction with which he had been aligned.

Last month's "second phase" of subsidy "reform"—in reality massive cuts—was strongly endorsed by the IMF, which at the invitation of the new administration led by President Hassan Rouhani sent a team to Tehran earlier this year to advise the government.

Fearing that the gasoline price rises could provoke social unrest, the government placed additional security forces on standby on April 25. But the widespread anger did not find immediate expression in the form of public protests.

The government, however, did suffer a significant political rebuke in respect to the latest round of subsidy cuts. Iranians overwhelmingly rejected its call for them to voluntarily renounce the meager $16 monthly per capita payments that Ahmadinejad instituted in 2010 as "compensation" for the first round of subsidy cuts.

The Iranian political and business establishment views these "cash subsidies"—whose real value has already been massively eroded by Iran's 30 percent-plus inflation—as an intolerable burden on the state treasury.

In the run-up to the April 25 price hikes, the government mounted a lavish campaign using media personalities, sports stars and prominent clerics, including several Ayatollahs from the holy city of Qom, to urge wealthy and "better-off" Iranians not to register to continue receiving the cash subsidies. This campaign had two tracks: on the one hand, the payments were stigmatized as a marker of poverty and inadequacy; on the other, the government claimed any money saved from cash subsidy reductions would be spent improving public infrastructure.

In the end, less than 3 million of Iran's 77 million people agreed to forego the subsidies. Even more significantly, more than half of Iranians registered that their income is less than $300 per month, thereby underscoring the extent to which the "cash subsidies" are serving as an economic lifeline for working people.

Responding to the fact that 95 percent of Iranians had registered to continue receiving the “cash subsides,” government spokesman Mohammad-Baqer Nobakht said, “It was difficult for some families to do without this monthly income. We respect their decision…and will continue to pay them.”

This is a lie. The government is anxiously seeking a mechanism to determine Iranians’ income so that the payments can be “targeted” to ever-smaller sections of the population, even as it moves to complete the abolition of price subsidies and institutes other regressive measures. These include raising the retirement age for government workers and making it easier to lay off workers.

Last month’s fuel price increases were preceded in late March by price hikes of 25, 24 and 20 percent respectively for natural gas, electricity and water—increases that President Rouhani characterized as “mild.”

Iran’s Deputy Minister of Energy, Alireza Dayemi, has announced that further increases in electricity and water prices are pending, with a view to instituting full market prices and placing the provision of these basic utilities entirely in the hands of for-profit private companies. “In three years,” said Dayemi, “water and electricity will turn into an economic commodity with the 100 percent participation of the private sector.”

This is part of a much expanded and accelerated privatization program. The Rouhani government has placed large numbers of companies including in the mining, petrochemical and oil-refining, heavy industry, and power-generation sectors up for sale. Last month the head of Iran’s privatization agency, Mir Ali Ashrafpouri, boasted that in the second half of the last Iranian fiscal year—a period roughly corresponding with the first six months of the Rouhani administration—the government sold off $13 billion worth of assets. This was more than double the amount sold in the first half of the 2013-14 Iranian fiscal year and represents almost a third of all the assets sold by Iran’s government since it launched a privatization program in 2001.

Ashrafpouri claimed that in the current year the government will sell off a further $25 billion worth of assets. To accomplish this, he added, it will be necessary to welcome foreign investors since Iran lacks the requisite capital.

The privatization drive is closely tied to the Rouhani administration’s attempts to woo European capital, including its major energy companies. Ashrafpouri told a press conference last month, “We are currently introducing investment opportunities of Iran to foreign companies especially the Europeans and hoping to attract foreign capital by creating a secure environment and providing the necessary legal framework,”—that is guarantees to French, German, Italian and other European firms that they will be able to make large profits by exploiting Iran’s low-wage workforce and its plentiful natural resources.

To entice the Europeans, Ashrafpouri said that “three major and highly valuable” Iranian public sector firms will be auctioned off later this year exclusively to European investors. He did not name the companies, but it has been suggested they will include parts of Iran’s auto industry, which is the largest in the Middle East.

The recent acceleration up of Iran’s privatization drive has also been associated with a change in the composition of the buyers. Under Ahmadinejad, many of the companies that were sold off, including Iran’s largest telecom provider, were bought by firms controlled by the Revolutionary Guards or businessmen tied to them. Now, more often than not, they are being purchased by businessman associated with the political faction led by Rouhani and Hashemi Rafsanjani or who have ties to European capital.

A former president of the Islamic Republic and Rouhani’s mentor, Rafsanjani has long spearheaded the campaign within the Iranian bourgeoisie for it to seek an accommodation with US imperialism and eliminate what remains of the social concessions made to the Iranian working class during the 1979 Revolution.

Fearing that the mounting socioeconomic crisis in Iran could trigger a challenge from the working class, Iran’s supreme leader, Ayatollah Khamenei, has thrown his support behind Rouhani’s overtures to Washington and his IMF-backed program to restructure Iran’s economy at the expense of working people.

The Obama administration, for its part, is demanding that the Iranian bourgeoisie accept unbridled US domination of the Middle East as the price for dismantling its punishing sanctions and normalizing relations with Tehran. Thus, even as Rouhani declares Iran “open for business” and offers to turn over large sections of Iran’s economy to European and US capital, Obama and US Secretary of State John Kerry insist that Iran “is *not* open for business,” key economic sanctions remain in full force, and, should the nuclear talks fail to produce an agreement to Washington’s satisfaction, “all options”—including war—“remain on the table.”

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