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KELLY ELIJAH JR
79 TEHRAN 1048

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ACTION NEA-11

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 ICAE-00 INRE-00 PM-05 H-01 INR-10 L-05
PA-01 SP-02 SS-15 IO-14 SAA-01 SES-01 DOE-15
SOE-02 DOEE-00 EB-08 COM-02 AID-05 TRSE-00 CMB-01
SIL-01 LAB-04 AGRE-00 /103 W

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TO SECSTATE WASHDC IMMEDIATE 3226

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E.O. 12065: N/A

TAGS: BGEN, ECON, EINV, IR

SUBJ: EFFECT OF STRIKES ON COMMERCE AND INDUSTRY

REF: (A) TEHRAN 931, (B) TEHRAN 829, (C) TEHRAN 828,
(D) TEHRAN 485, (E) 78 TEHRAN 10381,

1. REFTELS HAVE REPORTED NEAR-TOTAL PARALYSIS OF
COMMERCE AND INDUSTRY WITHOUT COMMENTING ON HOW SUCH
A DRAMATIC DEVELOPMENT COULD HAVE TAKEN PLACE. THE
ANSWER APPEARS TO BE THAT THE STRIKES AND OTHER
POLITICAL ACTIONS HAVE NOT REALLY BEEN DIRECTED AT
ALL SECTORS OF THE ECONOMY. ONLY A FEW COMPANIES
CITE LABOR PROBLEMS AS THE REASON FOR THEIR CLOSURE.
ON VARIOUS OCCASIONS, USUALLY DAYS OF MOURNING FOR
THOSE KILLED IN EARLIER PROTEST DEMONSTRATIONS,
SHOPS AND MANY OTHER BUSINESSES HAVE HONORED CALLS
FOR GENERAL STRIKES, BUT THESE HAVE ONLY LASTED FOR
A DAY OR TWO. THE OPPOSITION HAS BEEN ABLE TO CLOSE
DOWN THE ECONOMY BY CONCENTRATING ON THREE CRITICAL
SECTORS: IMPORTS, FINANCE, AND OIL.

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2. PROBABLY THE BIGGEST FACTOR IN THE CLOSURE OF
MOST BUSINESSES HAS BEEN THE CUSTOMS STRIKE. THIS
SEEMS TO HAVE HAD EVEN GREATER ADVERSE IMPACT ON
THE ECONOMY THAN THE FUEL SHORTAGE. MOST OF THE
BUSINESSES WE CONTACTED CITED THEIR INABILITY TO
CLEAR GOODS OUT OF CUSTOMS AS A REASON FOR THEIR
CLOSURE. NOT ONLY IMPORTERS, BUT ALSO MANUFACTURERS
AND CONSTRUCTION FIRMS DEPEND ON IMPORTED SUPPLIES
AND MATERIALS. THE FOOD PROCESSORS, PHARMACEUTICAL,
AND MEDICAL SUPPLY FIRMS HAVE BEEN ABLE TO OPERATE
TO SOME EXTENT, EITHER BECAUSE THEY USE LOCALLY PRO-
DUCED MATERIALS OR BECAUSE THE CUSTOMS OFFICIALS
HAVE BEEN WILLING TO RELEASE THEIR GOODS.
3. THE FUEL SHORTAGE ALSO HAS BEEN EXTREMELY IMPORTANT.
A REPORTED 3,000 INDUSTRIAL UNITS NOW DEPEND ON NATURAL
GAS FROM IGAT1, WHICH HAS BEEN CLOSED ALMOST CONTINU-
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DEPARTMENT OF STATE A/CDC/MR	REASON(S)
REVIEWED BY <i>[Signature]</i> DATE <i>3/9/83</i>	IS A.C.T. ☒ TYPING MARKINGS ☒
	ENDORSE ☒ RELEASABLE ☒
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OR ABOUT JAN. 15, BUT THERE STILL IS A SHORTAGE OF GAS TO BE PUMPED THROUGH IT). GENERAL MOTORS AND SEVERAL OTHER LARGE MANUFACTURING FIRMS CITE THIS AS THE PRINCIPAL REASON FOR THEIR CLOSURE. MANY OF THESE COMPANIES USE FUEL OIL OR NATURAL GAS FOR OVENS OR BOILERS. THE LACK OF FUEL ALSO LED TO A SHORTAGE OF TRANSPORT--PARTICULARLY TRUCK TRANSPORT. IRAN AIR AND THE RAILWAYS HAVE ALSO BEEN ON STRIKE, BUT THEIR SIGNIFICANCE IN THE ECONOMY PROBABLY IS NOT AS GREAT AS THE TRUCKING INDUSTRY, ESPECIALLY IN DISTRIBUTION OF GOODS TO CONSUMERS. INTERRUPTIONS OF ELECTRIC POWER ALSO HAVE MADE MANUFACTURING DIFFICULT, AND THIS HAS BEEN CAUSED IN PART BY SHORTAGES OF NATURAL GAS FOR GENERATORS.

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4. ANOTHER FACTOR, LESS OBVIOUS THAN THE ABOVE ONES, IS THE CLOSURE OF THE PRINCIPAL BAZAARS. THE BAZAAR MERCHANTS ARE PRIMARILY WHOLESALERS, AND THEIR STRIKE, WHICH WAS ONE OF THE FIRST IN THE PROTEST MOVEMENT, HAS SEVERELY DISRUPTED THE DISTRIBUTION SYSTEM. CLOGGING OF THE WHOLESALE SYSTEM LEADS TO ACCUMULATION OF STOCKS BY PRODUCERS, WHICH MAKES WORSE THEIR CASH FLOW PROBLEMS.

5. IN ADDITION TO SUPPLY PROBLEMS, DEMAND IS OFF. SOME WORKERS HAVE NOT BEEN PAID IN MONTHS, AND SOME COMPANIES HAVE BEGUN LAYING OFF WORKERS WITHOUT PAY. INCOME OF SMALL BUSINESSMEN IS DOWN SHARPLY. RAPIDLY RISING PRICES HAVE ERODED PURCHASING POWER. IN GENERAL, CONSUMPTION HAS BEEN RESTRICTED TO NON-DURABLES, AS CONSUMERS POSTPONE PURCHASES OF DURABLES AND LUXURIES. FOR EXAMPLE, GM IRAN IS WORRIED THAT UNLESS AUTO SALES PICK UP, THEY MAY NOT BE ABLE TO RESUME OPERATIONS.

6. ADDED TO ALL OF THIS ARE THE CASH FLOW PROBLEMS RESULTING FROM BOTH REDUCED SALES AND THE BREAKDOWN OF THE FINANCIAL SECTOR. SEE PREVIOUS EXTENSIVE EMBASSY REPORTING ON THIS SUBJECT, WHICH DESCRIBES PROBLEMS IN CHECK CASHING, MONEY TRANSFERS, RESTRICTIONS ON WITHDRAWALS, AND THE FINANCIAL DIFFICULTY OF MANY BANKS. BANK FINANCING IS UNAVAILABLE NOW AND IS LIKELY TO REMAIN SCARCE IN THE FUTURE, WHICH WILL FURTHER DEPRESS INVESTMENT. FAILURE OF THE GOVT TO PAY CONTRACTORS IS ANOTHER IMPORTANT REASON FOR SUSPENSION OF SOME OPERATIONS.

7. THE NEXT QUESTION IS HOW SOON CAN THE ECONOMY GET BACK INTO OPERATION. MOST BUSINESSMEN WITH WHOM WE HAVE BEEN IN TOUCH SAY THEY ARE READY AND EAGER TO RESUME BUSINESS, BUT THAT THEY CANNOT DO SO UNTIL CUSTOMS

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ACTION NEA-11

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SSO-00 ICAE-00 INRE-00 PM-05 H-01 INK-10 L-03
PA-01 SP-02 SS-15 IO-14 SAA-01 SES-01 DOE-15
SOE-02 DOEE-00 EB-08 COM-02 AID-05 TRSE-00 Omb-01
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THOSE SECTORS END. REFS A AND C REPORTED THAT BUSINESS-
MEN ALREADY HAVE HAD MEETINGS FOR THE PURPOSE OF
PRESENTING A REQUEST TO KHOMEINI THAT HE URGE ALL IRANIANS
TO GO BACK TO WORK. BUT EVEN WHEN THE STRIKES END IT
WILL TAKE SEVERAL MONTHS FOR THE CUSTOMS BACKLOG TO BE
REDUCED AND FUEL PRODUCTION TO INCREASE ENOUGH TO MEET
DEMAND AT SOME POLITICALLY ACCEPTABLE PRICE. INVESTMENT
IS VIRTUALLY NIL AT THE MOMENT AND THERE SEEMS LITTLE
REASON TO EXPECT IT TO PICK UP SOON. IN ADDITION,
TECHNICAL PROBLEMS SHOULD INCREASE AS A RESULT OF FRE-
QUENT START-UPS AND SHUT-DOWNS IN LINE WITH CALLS FOR
WORK STOPPAGES. THESE INTERRUPTIONS MAY STILL OCCUR
EVEN IF THERE IS A GENERAL RESUMPTION OF BUSINESS ACTIVI-
TY. ALSO, THE LACK OF MAINTENANCE AND REPAIR OF EQUIP-
MENT THROUGHOUT THE ECONOMY WILL LEAD TO BREAKDOWNS
AND WORK STOPPAGES AND A LOWERING OF PRODUCTIVITY.

8. OVER THE NEAR AND LONG TERM, THE DEPARTURE OF
FOREIGN EMPLOYEES WILL HURT OPERATIONS IN THE PETROLEUM
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SECTOR AND IN OTHER HIGH TECHNOLOGY INDUSTRIES. IT
SHOULD BE NOTED THAT NOT ONLY TECHNICAL SKILLS BUT
OFTEN MANAGEMENT WAS PROVIDED BY EXPATRIATES AND IT
WILL PROVE DIFFICULT TO FIND ADEQUATE IRANIAN REPLACE-
MENTS. SULLIVAN
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