



ms
to Mr Lyne

Foreign and Commonwealth Office

London S.W.1

10 January 1980

(2)

Prime Minister

You queried the claim made by Mr Vance (in a telephone conversation with Lord Lamington on 28 December) that some Iranian industries were suffering from 75% shortages.

Dear Michael,

Lyne 10/1

Iran : Shortages in Industry

You referred in your letter of 31 December to the Prime Minister's interest in those Iranian industries now suffering from shortages.

Mr Vance's figure

No authoritative figures exist to give an accurate picture of the state of Iranian industry or to substantiate a general figure of 75% industrial shortages. There have been shortages in some industries because of difficulties in importing machinery spare parts, particularly the car assembly plants. The plants assembling Japanese and British (Talbot) cars have recently been running at about half their full capacity. There have been periodic shortages in the availability of automotive spare parts, and of some raw materials derived from oil which are used in the paper and textile industries. There are also reports that steel production has seriously declined.

In general, Iranian industry has been more affected by widespread industrial stagnation than by shortages of specific supplies or raw materials. This has been caused by lack of business confidence, capital investment or effective management (caused by the flight of many industrial managers overseas), by customs strikes, by banking and administrative difficulties, and by the wages demands or interference in management of militant industrial workers or their representatives in "revolutionary committees". So far as we can tell, this general economic run-down is primarily responsible for shortages in the Iranian economy rather than any specific measures derived from recent events such as, for example, the economic freeze imposed by the Americans since December.

Yours ever
Roderic Lyne

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