



AYATOLLAH HOSSEIN ALI MONTAZERI

Death of Ayatollah Hossein Ali Montazeri sparks deepening unrest

Grand Ayatollah Hossein Ali Montazeri, who died at age 87 on 19 December, was Iran's top dissident cleric and the de facto spiritual leader of the opposition movement that has been fomenting over the past few months.

His demise led to an intensification of anti-regime protests, especially as the memorial service for the seventh day after his death coincided with the religious event of Ashura, the death anniversary of the **Third Shi'a Imam Hussein** (27 December). Protests on that day turned violent and five protestors, including **Ali Mousavi**, the nephew of the opposition leader **Mir-Hossein Mousavi**, were killed.

Montazeri had repeatedly denounced the harsh

crackdown on post-election protests. What makes his case intriguing is that he was one of the main architects of the Islamic Revolution and a close confidant of the founder of the Islamic Republic, **Grand Ayatollah Ruhollah Khomeini**.

In 1985, Montazeri was elected as the designated successor of Khomeini, but in February 1989 he was dismissed for criticising the political values of the Islamic Republic. In fact, he wrote a damning public letter to Khomeini on the 10th anniversary of the Revolution condemning the regime conduct as 'un-Islamic.'

After relinquishing his political position, he remained critical of the Islamic establishment

and of Supreme Leader **Ayatollah Ali Khamenei** and spent five years under house arrest, from 1997 to 2002. The reactions to the Ayatollah's demise have been interesting and indicative of potential developments:

- > Supreme Leader Khamenei issued a very significant letter of condolence. The formulation of the letter and the high degree of respect offered to Montazeri indicated Khamenei's desire to utilise this event for greater cohesion and reconciliation among political forces.
- > Grand ayatollahs from across the political spectrum rushed to offer condolences to the Montazeri family and his followers, another positive sign.

- > After calls from opposition leaders Mousavi and Mehdi Karrubi, there were mass turnouts in Montazeri's memorial services. Some 600,000 demonstrators made an appearance on 21 December in Qom.
- > There has been a popular outpouring of grief, especially in Najafabad (his birth place), Isfahan, and Qom.

The significance of Montazeri's personality becomes more evident when one considers the following:

- > In 1989, after he fell out with the top leadership, he became an increasingly vocal critic of the regime, accusing it of imposing dictatorship in the name of Islam. He repeatedly >>>

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stated that his opinions were guided by his 'sense of religious duty.'

- > In terms of theological hierarchy, Montazeri is one of the top two Shi'a clerics (the other is Grand Ayatollah Sistani, based in Najaf, Iraq), he holds the top religious position in Iran and has international status.
- > Montazeri has been a very vocal critic of President Ahmadinejad, has called his re-election a fraud, and has even issued a fatwa condemning the current administration.
- > In October 2009, Montazeri criticised Ayatollah Khamenei on a religious level and stated that he was 'not worthy' of being a marja (source of emulation).
- > For many Iranians, Montazeri embodied the defiant Shi'a culture that purportedly stands against unjust powers on a domestic level. Hence the popular support for him.

It was his combination of revolutionary and theological credentials, his anti-regime stance, popularity, and international significance that made Montazeri a critical element in the emerging political path in Iran.

His death may lead a new wave of disclosures and accusations among the top political leadership. Some believe that **Akbar Hashemi Rafsanjani** was a key person in the campaign to oust Montazeri. If true, this may be used by anti-Rafsanjani forces to undermine the political heavyweight.

At the same time, Montazeri's views on domestic and foreign policy will gain dominance through greater media attention. Some of these views (especially criticism of the violent oppression of demonstrators, attention to the

core values of Islam, and a more moderate foreign policy) will provide new ammunition for the reform movement to present alternatives to the current set of policies.

The first signs from Montazeri's burial in Qom on 21 December and subsequent ceremonies, climaxing on 27 December, are that tensions will remain high between different stakeholders. A heavy anti-riot police presence alongside violence on both sides underlines the potential for deeper tensions emerging in the weeks to come.

The next event will be the ceremony for the 40th day after the Ayatollah's demise. This will coincide with the mourning months of Moharram and Safar, complicating the situation. Furthermore, the unfortunate death of Ali Mousavi (Mir-Hosseini's nephew) will add fuel to the struggle.

Opposition figures such as **Mohammad Khatami** may use his legacy to reconcile the theological and political networks around the late Ayatollah. It was Montazeri who urged opposition leaders not to allow their movement to 'radicalise,' and he also reminded them that the process of change would be a long one. The actions of top personalities like Shi'a Grand Ayatollahs Khamenei, Rafsanjani, and others, as well as leading figures affiliated with Montazeri (such as former interior minister **Abdullah Nouri** and dissident cleric **Mohsen Kadivar**) will also be very significant.

Interestingly, for most of the past two decades Montazeri has been considered a divisive figure, but after his death he may actually become a unifying figure on various levels, especially if more attention is paid to his actual policy recommendations.

MONTH IN REVIEW

Foreign relations

Iran-US

Sanctions bill against Iran

The US House of Representatives passed the Iran Refined Petroleum Sanctions Act on 15 December 412 for, 12 against, and 4 abstentions. Some US statesmen believe the bill will empower **Barack Obama** to stand against Iran, but international analysts see the move as futile.

Analysts argue that as long as Iran looks eastward for trade, investment, and ways to circumvent economic sanctions, only sanctions backed by the UN Security Council will bear fruit.

US freezes \$2 billion

On December 12 the *Wall Street Journal* reported that more than \$2 billion allegedly held on behalf of Iran in **Citigroup** accounts was secretly ordered frozen last year by a federal court in Manhattan. The seizure is apparently the biggest of Iranian assets abroad since 1979. It was ordered 18 months ago, the paper reported.

No Iranian interference in Yemen

Amid accusations by Saudi and Yemeni officials that Iran is arming Shi'a Houthi fighters in Yemen, US Assistant Secretary for Near Eastern Affairs **Jeffrey Feltman** surprisingly indicated on 11 December that Washington saw no independent proof of this claim. >>>

The Houthis are Zeidi Shi'a, however, and thus different from Iranian Shi'a. The Yemeni civil war could in fact be understood as totally independent of Iran's religious links in the region. However, the comment by US senior official could be portrayed as a confidence-building measure by the Obama administration.

American hikers vs Iranian arm dealers

President Ahmadinejad told reporters while attending the Climate Summit in Copenhagen that three Americans had entered Iranian territory in a sensitive military zone. Exerting pressure on Washington, Foreign Minister **Manouchehr Mottaki** announced that the three would soon be put on trial.

The current tough stance was exercised by Iranians after an Iranian businessman, **Amir Hossein Ardebili**, was sentenced to five years behind bars for trying to purchase sensitive US defence technology banned by the US embargo on Iran. In fact, the three hikers could be being used as a bargaining chip for Iran to free its own citizens in US prisons. Iran has also accused the United States of abducting two Iranian citizens with links to its nuclear programme.

Iran-Europe

British yachtsmen spark tensions

On 25 November five British yachtsmen were detained by **Islamic Revolutionary Guard Corps** officers after allegedly straying into Iranian territorial waters. The arrest raised new tensions between London and Tehran, whose relations were already damaged due to Iran's post-election unrest. However, the Britons were freed on 2 December as the

Iranian government opted to treat the matter as a consular affair, perhaps in an effort to cool tensions with Europe.

Dutch vote against IRGC

The Netherlands Parliament approved a resolution to place the **Islamic Revolutionary Guard Corps** (IRGC) on the European Union's terrorist list, the *Jerusalem Post* reported on 27 November. The resolution is the first effort initiated by a member of the EU against the elite IRGC. The resolution is subject to further discussions at the upcoming EU meetings.

In another blow to the Islamic Republic, the Dutch Parliament passed a motion urging the unaffiliated **International Maritime Organization** (IMO) to ban Iran from accession to the IMO council, citing Iran's 'illegal transportation of weapons.'

Iran and Norway at loggerheads

Tensions erupted in between Iran and Norway after Norwegian officials accused Tehran of taking celebrated human rights activist **Shirin Ebadi's** Nobel Peace Prize medal and other belongings from her safety-deposit box. According to the *Los Angeles Times*, officials in Norway, which administers the prize, expressed outrage at the alleged seizure. However, Iran denied the allegations and summoned the country's ambassador to protest against the issue.

EU, US leave door open for Iran

In its most recent declaration on Iran, the European Council has expressed its 'grave concerns' over Iran's refusal to build confidence over its nuclear programme. 'The declaration of an

intent to construct further plants have further deepened the European Council's concerns,' said the statement.

However, the Council declared that it is committed to 'work for a diplomatic solution of the issue of Iran's nuclear programme.'

Backing the stance of Europeans, the White House expressed its grave concerns over the issue as well, but again highlighted that a diplomatic solution is still possible.

Iran-Arab world

Tehran-Riyadh tensions rise

Iranian Foreign Minister **Manouchehr Mottaki** accused the United States and Saudi Arabia in the alleged abduction of Iranian nuclear scientist **Shahram Amiri**, who went missing on Hajj pilgrimage months ago. 'The Americans did abduct him. Therefore, we expect the American government to return him ... Because of his disappearance in Saudi Arabia the authorities must be held accountable in this regard,' Mottaki said on 8 December.

In another public accusation against the United States and Saudi Arabia, Majles Speaker **Ali Larijani** said on 9 December that it was clear Amiri's disappearance was organised by Saudi conspirators under US orders. However, Saudi Foreign Ministry spokesman **Osama Nugali** denied the allegation in an interview with *al-Sharq al-Awsat*.

Iran, Iraq quarrel over oil well

There were reports on 18 December that Iranian forces had crossed into Iraq and occupied

an oil well in a disputed southern border region. 'Iranian forces entered Iraq at dawn [on 17 December] and occupied an oil well in the East Maysan oil field, Zafer Nazmi,' a border guard general, was quoted by Bloomberg as saying.

Iraq's National Security Council called the incursion 'a violation of Iraq's border' and asked Iran to withdraw its forces. Despite media hyperbole, the issue has reportedly been resolved.

Larijani meets Mubarak in Cairo

The meeting between Iran's influential Parliamentary Speaker **Ali Larijani** and Egyptian President **Hosni Mubarak** in Cairo on the sidelines of the Islamic Inter-Parliamentary Conference on 20 December can be interpreted as a breakthrough in Tehran-Cairo relations, which have been severed for the last three decades.

Larijani described the meeting as 'very good and constructive,' saying that 'the two countries' vision on bilateral relations is positive,' the Fars news agency reported. However, some parliamentarians believe that relations between the two Islamic powers will not be normalised through a single trip.

Iran-China

In a significant development orchestrated by the US administration, China's largest banks have apparently broken off their trade with their Iranian clients. 'Recently **China Construction Bank** and **China Agriculture Bank** have refused to open letters of credit (LCs) for Iranian traders, beginning a halt in transactions with them,' Kabar Online news website reported on 13 December. >>>

China Construction Bank is China's largest bank and the second biggest bank in the world. China Agriculture Bank is the second largest bank in China.

Nuclear issues

Defiant stance on enrichment

President Mahmoud Ahmadinejad, who had previously signalled his acceptance of the IAEA-proposed deal over Iran's nuclear programme, defiantly declared on 2 December that Iran would enrich uranium to an even higher level.

'I declare here that with the grace of God, the Iranian nation will produce 20 per cent fuel and anything it needs itself,' Ahmadinejad told a cheering crowd in the central city of Isfahan on 2 December. Echoing Ahmadinejad's stance, the head of the **Iranian Atomic Energy Organisation, Ali Akbar Salehi**, said on 4 December that Iran needs 20 uranium enrichment plants in order to meet all of its electricity needs.

White House spokesman **Robert Gibbs** set the end of 2009 as the deadline for Iran to give its response to the IAEA-backed proposal to ship its low-enriched uranium abroad.

Iran offers new uranium fuel swap

Attending a regional security conference in Bahrain on 12 December, Iranian Foreign Minister **Manouchehr Mottaki** voiced Iran's readiness to exchange 400 kg of its low-enriched uranium on the Persian Gulf Kish Island.

This would be equivalent to 20 per cent of the original batch. He also insisted that Iran needs

10 to 15 nuclear plants to generate electricity in the country.

Senior negotiator resigns

Mohammad Saeedi, deputy head of planning at the **Iranian Atomic Energy Organisation**, tendered his resignation on 15 December, the second member of the entity to step down after Ahmadinejad's re-election.

Gholam Reza Aghazadeh, a pragmatic figure who headed the organisation for 12 years and is close to former president **Akbar Hashemi Rafsanjani**, resigned in June 2009.

Although no explanation has been provided, Iran's failure to accept the UN-brokered nuclear deal probably disappointed the members of Iran's nuclear negotiation team and resulted in Saeedi's resignation.

New claims about nuclear programme

Publication of a memo about Iran's nuclear programme by the *Times* of London on 13 December further perplexed the international community over Tehran's intentions in acquiring nuclear technology, although the document yet has to be authenticated.

The two-page draft, written in Persian, 'describes the use of a neutron source, uranium deuteride, which independent experts confirm has no possible civilian or military use other than in a nuclear weapon,' reported the *Times*.

Ahmadinejad called the draft a fabrication and Iran's Foreign Ministry described its contents as 'a scenario hatched by Western powers.'

Domestic issues

Friday prayer leader resigns

Ayatollah Abdollah Javadi Amoli has stepped down as Qom's Friday prayer leader, *Etemad* daily reported on 29 November.

The Ayatollah did not provide a reason for his resignation, although he had been a strong critic of the government's economic policies and also worked on the Committee for the Tracking of Prisoners during the post-election crackdown.

While Amoli was not among the more forceful of the Qom clerics in the post-election turmoil, some of his sermons implicitly condemned the government crackdown on protestors.

Schism within leadership deepens

Former president and chairman of the Expediency Council **Akbar Hashemi Rafsanjani** and President **Mahmoud Ahmadinejad** were visibly absent from a meeting to celebrate regime unity held in Parliament on 30 November. Several other leading individuals refused to take part in the meeting.

Prison terms for opposition figures

Iran has sentenced **Saeed Leylaz**, a well-known political analyst, to nine years in prison.

Shapour Kazemi, brother-in-law of opposition leader **Mir-Hossein Mousavi** and a respected engineer, has been sentenced to a year of imprisonment.

Press board bans dailies

Reformist newspapers *Hayat-e No* (New Life) and *Andishe-ye No* (New Thought) were shut down by the Culture Ministry's Press in early December. According to Press TV, the pro-reform dailies were banned for 'working outside the regulations of the press law.'

National Student Day

On 7 December, students in Iran gathered to commemorate National Student Day and staged wide anti-government protests across the capital. Over 200 protesters were arrested, the police announced the following day. Pro-government forces accused protesters of publicly tearing up a photo of the Revolution's founder, **Imam Khomeini**. The opposition denied the insult.

Officials confirm killing of detainees

In a surprising statement released by the Armed Forces' Judicial Organisation on 19 December, authorities admitted that at least three detained protesters had been beaten to death. Key claims of the opposition movement, which had been strictly denied by the police in the past six months, were acknowledged through the statement.

Iran tests long-range missile

Iran's state TV announced on 16 December that the country had successfully tested an upgraded version of its longest-range solid-fuel missile Sajjil. Sajjil 2 high-speed missile can access targets about 1,200 miles away, making both Israel and US military bases in the Persian Gulf easily reachable for the Islamic Republic.



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Ayatollah Montazeri dies at 87

Iran's top dissident cleric, **Grand Ayatollah Hossein Ali Montazeri**, died at age 87 on 19 December. Montazeri was one of the most outspoken critics of the Islamic regime and repeatedly denounced the harsh crackdown on post-election protesters.

Key signs and risks

Foreign relations

Time is running out for Iran to give an official response to the IAEA-backed proposal on shipping its low-enriched uranium abroad. Washington had put the end of the year as the deadline. By failing to answer to the

nuclear deal, Iran would face further punitive sanctions.

Nonetheless, successful continuation of nuclear talks could change the Iranian dynamics. Considering that the Islamic regime is under severe domestic pressure, it can be expected that Tehran will try to find a settlement.

Domestic issues

Tehran was the scene of violent anti-government protests on 27 December that left five protesters dead. Successive demonstrations erupted after the death of prominent dissident cleric **Ayatollah Montazeri** and will probably continue in the coming month.

Despite serious efforts at national unity, tensions between the government and opposition forces will remain high. As the opposition gears up for further protests, instability will be spread across the country, especially in larger cities and border regions.

Economic issues

The gradual removal of blanket subsidies will lead to a number of price hikes in Iran. A rise of an additional 5 to 10 per cent will be seen in the current Iranian year. This phenomenon will continue for two to three years as more and more subsidies are lifted.

SPECIAL FEATURE

The quasi-governmental sector

By *Hengameh Ahmadi*

Commentators inside and outside Iran are viewing the privatisation policies of the Iranian government with a degree of concern. The main issue is that a growing number of state companies are being ceded to quasi-governmental entities such as pension funds and military organisations.

On paper, Iran's privatisation policies started in 1989, when the first five-year development plan was initiated. However, the campaign languished due to legal uncertainties until 2004, when the Expediency Council offered a new interpretation of the Constitutional Article 44.

According to that decree, approved by Supreme Leader **Ayatollah Ali Khamenei**, the following amendments were made:

- > The government was instructed to withdraw by the end of the Fourth Plan (March 2010) from all areas in which the private sector could participate.
- > Any continued government role and participation in such industries would require permission from Parliament.

- > Private-sector participation was allowed in major industries, referred to in the law as 'mother industries' (including downstream oil and gas), and in large mines (excluding oil and gas).
- > Private-sector participation was allowed in all international trade activities unless the sector was a government monopoly by law.
- > The government had to reduce its share in all state companies to a mere 20 per cent. In most cases, the government was to sell 80 per cent of its shares in blocs and through the Tehran Stock Exchange.
- > The government was instructed to prepare the ground for the Iranian economy to interact with the global economy through 'a gradual and targeted process.'

While former president **Mohammad Khatami** put serious effort into this campaign, it was put on a lower priority by President Mahmoud Ahmadinejad, who has been on the receiving end of criticism by Parliament, and more intensely by the Expediency Council, for not following the plan set out in the decree.

This has in turn resulted in a decree issued by Supreme Leader himself, urging the government to follow the process and start reducing the size of the public sector.

Ahmadinejad seized the opportunity to introduce his own plan of offering so-called justice shares of public entities to vulnerable social classes. In addition, the Ahmadinejad administration started ceding some government companies to semi-governmental entities such as pension funds, revolutionary and religious cooperatives, and military organisations. >>>

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Based on the Ahmadinejad version of the original law, shares of state-owned companies are divided as follows: the government keeps 20 per cent, lower income families receive 40 per cent through justice shares, company staff members are allocated 5 per cent, and the remaining 35 per cent is for sale through the TSE or through negotiations.

In specific cases, exemptions are allowed. For example, a 51 per cent share bloc of the **Telecommunications Company of Iran** was sold to one bidder through the TSE.

Despite rosy statistics about privatisation performance, the government's profile in spearheading the campaign is rather gloomy. Ahmadinejad, who rides on support from low income voters, introduced justice shares in order to tackle poverty. However, this approach has undermined the original privatisation targets.

According to a report published by the Majles Research Centre (MRC) in November, 68.5 per cent of the shares ceded since 2005 has been in form of justice shares. This essentially retains government control because government entities represent the owners of justice shares (the larger public). In other words, the government is still in charge of all privatised companies.

As for the 35 per cent bloc slated for the private sector, a newly born quasi-governmental sector has emerged as the most enthusiastic buyer of these shares.

The genuine private sector is in some cases in an embryonic stage, with enormous challenges due to the country's hazardous business

climate. Legal ambiguities, financial restrictions, fear of government interference even after privatisation, toughening sanctions, an unstable business climate, pricing policies, and opaque financial statements are the main reasons for private-sector reluctance to embrace the privatisation campaign.

The key question at this stage is which entities are becoming the major shareholders of Iran's previously state-owned companies.

Quasi-governmental entities

Initially, a large number of semi-governmental foundations and entities emerged in the administrations of **Akbar Hashemi Rafsanjani** and **Mohammad Khatami** between 1989 and 2005. In those days, the creation of such entities was a recipe for distribution of diverse economic interests among revolutionary, religious, and military entities.

In the waning days of the reformist administration, then minister of finance **Safdar Hosseini** assured the private sector that the quasi-governmental entities would not dominate the economy. However, the process took a turn when President Ahmadinejad emerged.

Thanks to the government's financial and non-financial support, over 70 per cent of the volume of bourse transactions are currently allocated to these emergent enterprises. For example, in December 2008, Ahmadinejad funnelled \$200 million to the **Iranian Mehr-e Eqtesad Fund**, the **Social Security Organisation of Armed Forces** (Sata), and the **NIOC Pension Fund** (giant semi-governmental companies).

Such companies can take advantage of their immense volume of real estate and valuable properties as collateral for securing loans from Iranian and foreign banks, while the fledgling private sector is deprived of such facilities. And the burgeoning cooperatives and enterprises have another privilege: most enjoy tax exemption.

Currently, Iran's stock market is dominated by a dozen semi-governmental organisations:

- > Mostazafan Foundation
- > Astan Quds Razavi (the organisation managing Imam Reza's shrine in Mashad)
- > Ghadir Investment Company
- > Social Security Investment Company (Shasta)
- > Tadbir Investment Company
- > Saba Tamin Company
- > Pension Fund Company
- > Farhangian Investment Company
- > Iranian Mehr-e Eqtesad Fund
- > Farhangian Stabilisation Fund
- > Iran Industrial Development Investment Company
- > Sadid Industrial Group.

The centre titled its controversial report 'A Transition from State-Owned Economy to Quasi-Governmental Economy' and warned of a new business oligarchy being shaped via the ongoing privatisation process. The investigative centre spotlighted the increased semi-governmental proportion of the market over the past four years as an indicator of an emerging monopoly.

The Role of the IRGC

A noteworthy feature of the Ahmadinejad administration is an increasingly powerful

Islamic Revolutionary Guard Corps (IRGC), whose affiliates have dominated the Tehran Stock Exchange (TSE) and the country's giant infrastructure projects.

The Iranian Mehr-e Eqtesad Fund (affiliated with the IRGC Basij), the Social Security Investment Company, and the pension funds have bought more than 46 per cent of the total value of ceded in-bloc shares, according to the MRC report.

The harshest blow to the private sector in the so-called privatisation process came on 27 September, when **Etemad-e Mobin Development Company**, a consortium with links to the IRGC, won the most controversial transaction and took control of the massive **Telecommunications Company of Iran** (TCI). 'The Guards are after the most strategic and lucrative companies,' a bourse analyst told *Iran Strategic Focus*.

'From the very beginning it was crystal clear that they will get TCI,' the analyst asserted. 'The whole story of including other rivals in the race was theatrical. Besides, stakeholders of **Pishgaman Kavir Yazd** [the only rival bidder, which was kicked out of the race hours before the transaction began] are mostly IRGC veterans. Their victory wouldn't have made a big difference at all,' the analyst explained. >>>

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Etemad-e Mobin Development Company was not well known before purchasing the TCI. Actually, Iranian Mehr-e Eqtesad had always played a significant role in TSE under the IRGC umbrella.

However, rising sensitivity about some of its activities had apparently kept the investing company from stepping into the race over TCI. 'They have probably decided to freeze their crucial activities for a while in order to assuage the existing sensitivities,' the analyst elucidated.

Mehr-e Eqtesad has already bought some strategic and profitable companies. It owns the majority shares of **Middle East Tidewater Company, Tabriz Tractor Manufacturing Factory, Mobarakeh Steel Factory, Iran Zinc Mines Development Company, Iran Marine Industrial Company (Sadra), Iran Aluminium Company, Iran Mineral Processing Company**, and dozens of other leading companies.

Regrettably, some of the companies privatised in favour of the IRGC are gradually going bust, such as the Iran Aluminium Company and the Tabriz Tractor Manufacturing Factory, according to an article published in the pro-reform *Etemad-e Melli* on 3 August.

Mehr-e Eqtesad managing director **Commander Issa Rezaie** once estimated the value of the company's portfolio investments at \$500

million, according to an article published in the daily on 5 August.

In addition to IRGC dominance over the country's construction sector, the guardsmen have also managed to expand their activities in banking by establishing their first bank. The **Ansar Financial and Credit Institute**, affiliated with the IRGC, will soon turn into **Ansar Bank**.

Mahmoud Bahmani, the governor of the Central Bank of Iran, told state TV on 23 September that the Ansar Institute is now allowed to commence activities as an official bank.

Analysts expect that IRGC-affiliated entities will continue to consolidate their position through buying shares in various banks, including the soon to be offered 5.1 per cent share block of **Parsian Bank** and share blocs from **Mellat, Tejarat**, and **Saderat** banks.

There are also rumours that IRGC entities will buy the giant automakers **SAIPA** and **Iran Khodro**, which are to be wholly privatised in the near future. However, automakers are facing major financial difficulties and their privatisation won't be the most lucrative deal on the TSE.

Conclusion

The politically motivated implementation of privatisation has not achieved the initial goal

of 'economic development, social justice, and the elimination of poverty,' according to an executive order by Supreme Leader **Ayatollah Ali Khamenei**. Today, it seems that the main beneficiaries are quasi-governmental entities.

Essentially, very few shares of the government companies have been ceded to the genuine private sector. Justice shares do not produce actual active and private shareholders, but serve only as an instrument of wealth distribution that is controlled by the government as caretaker.

Iran's major companies are now being controlled by a governmental sector alongside semi-governmental entities – all emanating from the same background, i.e., religious, revolutionary, and military organisations. The scene is set for an oligarchy that controls the majority of economic interests in the country.

Experts believe that with the elimination of subsidies on the horizon, the country's genuine private businesses (services, light industries, manufacturing, etc.) will probably face further economic challenges.

On the other side, the new oligarchs, enjoying the government's unconditional support, will grow stronger and will further dominate the economic scene.

OIL & GAS

Gas sector

NIGEC on gas exports

In an exclusive interview with the daily *Iran*, **NIGEC** managing director **Reza Kassaeizadeh** said that in addition to three gas export contracts, Iran has reached agreements with a number of countries over gas exports that will be operational in 2013 and 2014.

None of the new gas export contracts to neighbouring countries has entered into the implementation phase. Countries willing to purchase Iranian gas are required to take part in upstream development and to assist in increasing gas production in Iran.

Kassaeizadeh said that 'although gas export is of high importance for the country, we should not let it negatively affect our plans to meet domestic demands. Therefore, we should prioritise investment in developing gas fields.' He added that the export of LNG generates more value added than does the export of raw gas and therefore, investment in LNG exports up to a distance of 4,000 to 5,000 km is economically justifiable.

Kassaeizadeh said that Iran has conditioned the export of LNG to the investment of foreign companies in Iran's LNG projects. It has been in talks with one Asian and two European companies to invest in **Persian LNG** and **Pars LNG**.

In a reference to the **Iran LNG** project, Kassaeizadeh said that it had made no progress >>>



CHATHAM HOUSE

Prospects for Middle East and North Africa Energy
1 and 2 February, 2010: London

in the sweetening phase, which is 27 per cent complete. The project is awaiting \$1 billion from the Oil Surplus Fund and requires as much as \$5 billion in total, 80 per cent of which must be secured from non-governmental sources.

Kassaeizadeh indicated that Iran is in talks with a number of European countries over gas exports. Addressing the concerns of opponents, he asserted that gas exports to Europe will enter into implementation five or six years down the road and that by that time, major South Pars gas phases will have become operational, circumventing the possibility of domestic shortages.

Kassaeizadeh opined that implementing the so-called targeted subsidies will resolve the country's negative gas balance. The removal of blanket subsidies is projected to lead to a reduction in domestic gas consumption and therefore, the campaign should benefit the country's gas export plans.

The NIGEC managing director said that by 2025, the country aims to export as much as 570 mcm/d of natural gas and LNG. Gas transit will be of higher importance than gas swaps because in a gas transit mechanism, the other party is responsible for investment and transit fees.

Gas to Turkey

The NIGC dispatching centre director stated on 13 December that Iran has boosted natural gas production by around 10 per cent so far during the current Iranian year (started on 21 March 2009). **Hassan Montazer Torbati** estimated output for the full year to exceed 165 bcm.

Torbati also said that during the first 266 days of the current Iranian year, 4.5 bcm of natural gas had been exported to Turkey. Over the past two years, gas has been exported to Turkey without any problem. On average, Iran exports between 20 to 30 mcm/day of natural gas to the neighbouring country.

Iran, Azerbaijan sign gas deal

Quoting company president **Rovnag Abdullayev**, Azerbaijani news agency APA reported that the **State Oil Company of Azerbaijan (SOCAR)** will sign an agreement with **NIGC** to sell natural gas to Iran. In mid-December, Iran's ambassador to Baku, **Mohammad Bagher Bahrami**, announced that the two countries were engaged in negotiations for Iran to import 5 bcm of natural gas annually.

NIGC and SOCAR had signed an MoU on gas exports on 14 November. Based on that MoU, SOCAR will supply Iran at least 500 mcm of gas annually from 2010 and the volume will be gradually increased later. Last month, SOCAR's deputy head also announced that the two sides will finalise the deal by the end of the current year.

Iraq wants Iranian gas

Iranian Petroleum Minister **Masoud Mirkazemi** announced on 15 December that Iraq is eager to buy gas from Iran in a bid to increase its capacity to produce electricity.

The comment by the minister came in a meeting with Iraqi Electricity Minister **Karim Wahid al-Hassan** in Tehran. He noted that Iraq's installations had been seriously damaged after the toppling of the **Saddam Hussein** regime and it had fallen behind in terms of producing electricity.

Gazprom interested in IPI pipeline

Gazprom officials have scheduled a meeting with the members of the Iran-Pakistan-India (IPI) pipeline for January, news agencies reported. **Abubakir Shamuzov**, the Gazprom representative to Iran, said, 'As a major gas producer and supplier, Gazprom pays special attention to the development projects which are being implemented in South Asia.'

Gazprom expressed interest in a possible role in IPI during meetings with the Iranian oil minister. **National Iranian Oil Company (NIOC)** executives said delegates would discuss IPI again during a summit in January in Tehran.

Tehran has encouraged New Delhi to take part in the meeting. Iranian Foreign Minister **Manouchehr Mottaki** said the door would remain open for India to join the IPI project but indicated that the state of affairs could not continue indefinitely.

'I think India is desirous of joining the project. The road is open for the joining of Indian friends,' he said during a meeting at the Indian Council for World Affairs.

In another development, the state-run daily *Iran* reported on 5 December that Iran, Pakistan, and Russia are scheduled to hold a tripartite meeting in mid-January over Russia's involvement in the planned pipeline project. Iran's special representative to the pipeline talks, **Hojjatollah Ghannimifard**, said in late November that Russia's energy minister had held talks with his Iranian counterpart and discussed Russian involvement in the pipeline project.

According to the daily, the chair of Gazprom, **Sergei Chemezov**, has said that his company has worked on the IPI project since 1998 and is interested in this plan. Chemezov said that Gazprom's involvement will increase the security and importance of the pipeline project. Equipped with extensive experience in pipeline construction work, Gazprom has proven that it can be a good investor in the project.

Chemezov added that the volume of company's investment in the project depends on several factors, including gas transit capacity. Gazprom would prefer to establish a multilateral joint company to carry out all aspects of the work, from preparation to gas sale. The official said that Gazprom will seek to use the potential and capabilities of Iranian companies for the pipeline's construction.

India in talks over pipeline

'India is in discussion with all participating countries in the IPI pipeline project for import of gas,' India's Petroleum Minister **Murli Deora** said on 8 December. 'Various important issues like pricing of gas, the delivery point, project structure, security of supplies, and payment of transportation tariff fees for passage of natural gas through Pakistan are under discussion among the participating countries,' Deora said in *Rajya Sabha*.

Asked about China's participation in the project, he asserted, 'No official communication has been received regarding China's joining the Iran-Pakistan-India gas pipeline project.'

Iran delivers gas at Pakistan border

Iran's ambassador to Pakistan, **Mehdi >>>**

Nabizadeh, said on 7 December that Tehran had agreed to deliver natural gas to the Iran-Pakistan border.

A working group established with representatives from both countries is scheduled to discuss the details of the deal, including the delivery point. The Pakistani party has agreed to guarantee the security of the pipeline. The official expressed hope that the results of the working group would be submitted to officials in three months.

Investing in gas plants

The **Gas Engineering and Development Company** (GEDEC) announced that Iran plans to increase its natural gas output by investing about \$750 million in three gas refineries. GEDEC managing director **Alireza Gharibi** said that a total of \$250 million will be spent to develop both phase 2 of the Ilam gas refinery and phase 3 of the Shahid Hasheminejad gas refinery (Khangiran).

Completion of the two plants is projected to add a total of 11.2 mcm/d of gas to the country's natural gas output capacity, Gharibi said. A new plant will be set up at the Parsian gas refinery at a cost of about \$500 million, in order to produce ethane gas.

ONGC eyes stake in gas field

Indian state-owned oil exploration major **Oil and Natural Gas Corporation** (ONGC) is eyeing a 20-25 per cent stake in a giant Iranian gas field, even as it awaits Tehran's approval for its plan to develop a gas field it had discovered two years ago. **ONGC Videsh Ltd** (OVL), the overseas arm of the company, conducted some initial negotiations in early December.

The **Hinduja Group** is also interested in the \$7.5 billion South Pars phase 12 (SP-12) project, but OVL's pursuit of a stake is independent of it. OVL has not approached **Petropars**, the unit of the **National Iranian Oil Company** (NIOC) that holds the rights for the field, to purchase a stake through a joint venture with Hinduja.

OVL and Hinduja signed separate MoUs with Petropars for SP-12 and are independently talking to the NIOC, sources said. If Hinduja is able to convince Iran to give it a stake in the field, the state-run firm will welcome it in the consortium formed by Petropars.

In its talks with NIOC in early December, OVL also raised the issue of development rights for the offshore Farsi gas fields, for which it, along with **Indian Oil** and **Oil India**, has submitted a \$5 billion development plan.

Winter gas consumption

Mojtaba Sheikhbahaie, NIGC director for gas distribution, said that the incremental gas consumption plan will be implemented based on regional weather conditions. The first and second gas consumption deciles will be charged 45 rials per cm of gas consumption, the third to seventh will be charged 100 rials, and the eighth and higher will pay based on predetermined rates.

On 16 December Petroleum Minister **Masoud Mirkazemi** rejected the idea of residential gas cuts; however, he urged people not to waste. The minister also hoped that there would be no need of liquid fuel for industries this winter, thanks to proper management.

In a related development, NIGC officials warned industrial units and state-owned companies of probable gas cuts this winter. On 15 December, **Mohammad Reza Messforoush**, the head of the **Tehran Province Industries and Mines Organisation**, called on industrial units to save fuel to avert interruption in their production processes, Mehr news agency reported.

In another warning, NIGC director for gas distribution **Mojtaba Sheikhbahaie** announced that heavy consuming state-run companies will face gas cuts. 'Their gas will be cut off after warnings are issued,' he said, and fines for heavy consuming residential customers will be announced soon.

Hungary eyes Iranian gas

The chair of Hungary's national energy company, **MOL**, said that without Iranian gas, the Nabucco project will not be operational and Iranian gas could fill the Nabucco pipelines.

'Sooner or later, we will receive our gas demands from Iran,' APA quoted **Zoltan Hernadi** as saying.

'MOL is currently strengthening its ties with Iran on a technical level.' Eastern Europe needs transit methods to secure its gas demands.

LNG plans

ONGC to use Iran LNG facility for Farsi gas

ONGC and its overseas subsidiary, **ONGC Videsh Ltd** (OVL), along with **Hinduja Group** and **Petro-net LNG** have agreed to take a 20 per cent stake in the \$4.35 billion LNG export facility that **Iran LNG** is building at Tombak Port.

'Though this plant is to turn gas produced from South Pars phase 12 (SP-12) into LNG for exports, we are looking at using it also for turning gas from the Farzad-B gas field in the Farsi block into LNG,' a company official said.

OVL is the operator of the Farsi block with 40 per cent interest. Along with **Indian Oil** (40 per cent) and **Oil India** (20 per cent) it has submitted a \$5.5 billion plan to bring the Farzad-B gas to production. 'Our stake in Iran LNG can go up to 40 per cent,' said the official. ONGC wants to ship 6-8 million tons/year of LNG back home, to be produced from Farsi and SP-12 fields.

This development underscores Iran's resolve >>>

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to become a player in the international LNG market through Iran LNG activities. Evidently, adding a European technology partner will be crucial in achieving this goal.

Iran LNG to receive loans

NIGEC managing director **Reza Kassaeizadeh** said that the company has reached an agreement with **Bank Mellat** to finance the power plant sector of the planned Iran LNG project. As per this agreement, Kassaeizadeh said, some €200 million in loans will be allocated to the project. In addition to this loan, another \$925 million in credit will be allotted to the project from the Oil Surplus Fund.

Kassaeizadeh said that the **National Iranian Oil Company** (NIOC) is in talks with an Asian company to cede 20 per cent of the shares of the **Iran LNG Company**.

He expressed hope that the negotiations will reap fruit within six months. Up to 80 per cent of shares of Iran LNG are slated to be transferred to four to five private companies, potentially including foreign companies. NIGEC will retain control of the remaining 20 per cent in shares of the company, the official said.

Pipelines

Iran-Turkmen pipeline to launch

Turkmen President **Gurbanguly Berdymukhamedov** has reportedly announced that the second Iran-Turkmenistan gas pipeline will be inaugurated this December. Once the gas pipeline is inaugurated, Turkmenistan's annual

gas exports to Iran will rise to 14 bcm, from the current 8 bcm, Fars news agency reported. By using the pipeline's full capacity, Turkmen gas exports to Iran will hit 20 bcm per year.

IGAT VII ready to operate

Rostam Ghasemi, president of **Khatam-ol-Anbia Headquarters**, said that the IGAT VII project is ready to become operational. He did not provide more information. IGAT VII is the coastal gas pipeline connecting South Pars gas fields to the Bandar Abbas region in the Strait of Hormuz. The continuation of IGAT VII will take Iranian gas to the Iran-Pakistan border.

Oil news

Saipem Triune to invest in Forouzan

India's **Saipem Triune Company** has won the approval of the **National Iranian Oil Company** (NIOC) to develop Iran's Forouzan oil field.

The Indian firm has completed the financial and technical evaluations of the plan, and it is estimated that the first phase of the engineering, procurement, and construction (EPC-1) contract for the development of the oil field will soon be inked, Mehr news agency reported.

Forouzan oil field is located 100 km southwest of Kharg Island in the Persian Gulf, and is shared with Saudi Arabia's Marjan oil field. Saudi Arabia's **Aramco** and the American **McDermott Company** are currently developing the Saudi section of the oil field. The Forouzan MDP aims to produce 65,000 b/d.

Previously, the British **SLP Company** was in charge of the EPC-1 part of the Forouzan development plan, but the firm withdrew from the project in 2006.

CNOOC to invest in Iranian fields

On 1 December, Pars Special Energy Economic Zone managing director **Mousa Souri** told Shana news agency that China's **CNOOC** is expected to invest \$20 billion in the development of North Pars, Pars II (Tonbak), and Pars III (Kangan) fields.

Souri said that a draft contract had been prepared and **NIGEC** was in negotiations with CNOOC to finalise it.

Petroleum needs \$25 billion

On 6 December, Petroleum Minister **Masoud Mirkazemi** said that by the end of the Fifth Five-Year Development Plan (2010-15), the country's upstream projects would require an annual investment of \$25 billion from internal and external sources. This amount would enable the country to produce as much as 5 million b/d of crude.

Mirkazemi made the remarks while addressing reporters and added that from the beginning of the Forth Five-Year Development Plan (2005-10), the country has managed to attract over \$10 billion in investment from external resources.

The minister stressed that sanctions have had no negative effect on Iran's petroleum industry and over the past couple of months, a sizeable number of foreign countries have knocked on the Ministry's door to invest in petroleum sector projects.

Cooperating with foreign petroleum companies

In response to media enquiries as to why Iran still welcomes India's participation in its petroleum sector in spite of New Delhi's decision to vote against Iran in a recent IAEA resolution over its nuclear file, Petroleum Minister **Masoud Mirkazemi** said on 2 December that Iran well understands that foreign countries are under pressure and feels sympathy with them.

'We never close the door to those countries who want to invest in Iran,' Mirkazemi said. 'We don't care about such resolutions and will not halt our cooperation with those countries that have voted against Iran.'

Total still in South Pars limbo

There have been contradictory reports regarding the fate of **Total's** involvement in the South Pars phase 11 project. On 6 December, state-run TV quoted **National Iranian Oil Company** (NIOC) director for investment affairs **Hojjatollah Ghanimifard** as saying that Total had been dismissed from investing in the project. A few hours later, two key Iranian officials denied the report.

On 7 December, the daily *Tehran Times* reported that NIGEC managing director **Reza Kassaeizadeh** had denied reports that Iran had stopped talks with Total over investment in South Pars phase 11. Kassaeizadeh indicated that Total was still interested in taking part in the project and talks with this company were ongoing.

Meanwhile, NIOC managing director **Seifollah Jashnsaz** said on 7 December that he had not been informed of reports of Total being >>>

dismissed. Talks were held between Iran and Total in Tehran in mid-December, Jashnsaz said.

Iran to drill Caspian for oil

Iran is to start exploration drilling in the Caspian Sea by the end of the current Iranian year (20 March 2010), according to **Mahmoud Zirakchianzadeh**, a board member of **Khazar Exploration and Production Company** (KEPCO). He added that the prospect of finding oil reserves in the region is bright, considering the high potential for hydrocarbon reserves in the Caspian Sea.

It seems that Iran does not want to be left behind in development of Caspian resources, even though it is much less attractive for it to explore in the deep waters of the Caspian than in its unexplored onshore blocks. The decision to explore in the Caspian is more political than economic.

Increasing gas wastage in oil fields

The wastage of associated gas in Iran has increased to such an extent that from March 2009, 20 mcm/d of gas has been flared at the country's oil fields. In light of this volume of gas wastage, media are asking whether it is wise for Iran to continue to hold out over pricing disputes on potential gas export deals with the Persian Gulf littoral states.

Mehr news agency called for the Ministry of Petroleum (MoP) to outline a plan to export the gas flared at oil fields to the Persian Gulf states. On 24 November, the daily *Jomhuri Eslami* criticised the MoP's lack of strategy, pointing out that the Ministry is willing to flare off gas produced with oil but not to export it at a rate

lower than what Russia charges its European customers for its natural gas (an apparent reference to Iran's unwillingness to finalise gas export deals because of pricing disputes).

Jomhuri Eslami argued that Iran should not expect to sell its gas at the European market price, given differences between the Persian Gulf and European markets.

Iran, Belarus joint oil company

Petroleum Minister **Masoud Mirkazemi** announced that Iran and Belarus will establish a joint oil company named **Bel-Pars** in order to carry out joint projects.

Investment

Shell, Repsol ponder energy deals

Tehran is close to finalising talks with **Royal Dutch Shell** and **Repsol** concerning their participation in **Persian LNG**. According to **Reza Kassaeizadeh**, the head of **NIGEC**, production at South Pars phase 13 and midstream production in the Persian LNG project are now to start earlier than expected. Phases 13 and 14 are allocated to LNG production and exports.

Former petroleum minister **Gholam-Hossein Nozari** said in June 2009 that Repsol and Shell had offered a new proposal for initial production at South Pars in two phases.

The two companies signed a deal with the **National Iranian Oil Company** (NIOC) in January 2002 to invest in phase 13 and to develop the upstream segment of Persian LNG.

Last year, Shell delayed decisions on the multibillion-dollar investment plan, reportedly due to political pressure from the United States. In April 2009, Iran gave Shell and Repsol until 20 May to clarify their involvement in the project.

The Persian LNG project consists of development of phases 13 and 14 of South Pars gas field and construction of two LNG trains, each with the capacity of 8.1 million tonnes per year.

Majles supervision of energy contracts

A member of the Majles Energy Commission defended the country's energy cooperation with Turkey, saying that Turkey seriously needs Iran's energy resources and for its own part, Iran requires foreign investment. **Moayyed Hosseini Sadr** said that if Turkey wants Iran's gas, it should invest in Iran.

He stressed that the Majles should supervise the contracts the government enters into. 'We found out about the gas export contract with Turkey from the media,' Moayyed Hosseini Sadr complained.

Energy briefs

ASPRO-DELTA to participate in CNG

Gas Khodro Company managing director **Mostafa Alavi** said that the company has reached an agreement with Argentina's **ASPRO-DELTA** for the construction of a CNG station in Iran. The company's contribution to Iran's CNG sector will include designing, equipping, and launching a CNG station. The station is to have a supply capacity of 1,500 m³ of compressed gas.

Iran to hold gas conference

Iran will hold the 14th International Oil, Gas, and Petrochemicals Conference in May 2010, **Bagher Mahajerani**, the director of the conference, told Moj news agency.

Electricity cooperation with Iceland

Iran and Iceland have reportedly agreed to cooperate in the electricity sector. Iranian Minister of Industries and Mines **Ali Akbar Mehrabian** and Iceland's President **Olafur Ragnar Grimsson** agreed to boost ties in electricity production on the sidelines of **UNIDO's** 13th General Conference in Vienna. The two sides agreed to send delegations to review bilateral ties in the field of electricity generation with a view to using Iran's geothermal energy.

Iran, Russia to connect electricity networks

Deputy Energy Minister **Abbas Aliabadi** announced that Iran and Russia plan to connect their electricity networks. 'During the recent trip of Russian Energy Minister **Sergei Shmatko** to Tehran, officials held negotiations over linking the two countries' electricity networks,' Aliabadi told the Mehr news agency on 15 December, predicting imminent seasonal electricity trade between the two states.

'A specialised delegation will soon travel to Tehran in order to pursue the talks,' he said. 'Currently Russia's annual electricity production stands at 200,000 MW, while the figure hovers around 55,000 to 60,000 MW for Iran.'

According to the deputy minister, the issue will be finalised in a bilateral technical commission by March 2010.

Upstream project update

This update highlights developments on more strategically important projects. A fully detailed Project Tracker database is updated monthly and contains exhaustive descriptions of projects and activities. It is available and free to all Iran Strategic Focus subscribers as a PDF file from the Menas e-library. The Project Tracker contains cumulative information on Balal, Douroud, Esfandiar and Forouzan, Sirri A and E, North Pars, South Pars, Soroush and Norouz, Salman, Kish, North Azadegan, South Azadegan, Bangestan, Band-e Karkhed, Cheshmeh Khosh, Darkhovin, Masjed Soleyman, Yadavaran, Golshan and Ferdowsi, Farzad-B, Anaran, Farsi, Munir, Mehr, Alvand, Towsan, Forouz and Iranmehr, Zavareh-Kashan, Saveh, Kouhdasht, Khorramabad, Garmsar, Dayyer, Danan, and Moghan 1 and 2.

Early production for Jofeir

According to ISNA news agency, during the meeting between Petroleum Minister **Masoud Mirkazemi** and Belarusian Minister

of Industry **Alexander Radovic**, the development of Jofeir oil field was discussed. 'We expect the oil field to come on stream at the cost of \$500 million,' Mirkazemi said. He went on to note that the field's early production will start in four or five months.

Early production for Bala Roud

According to ISNA news agency, the **National Iranian South Oil Company (NISOC)** is carrying out early production operations in Bala Roud oil field. The company has completed basic studies of the field and is currently doing detailed engineering studies. These have made 40 per cent progress so far.

Lavan to be finalised

IOOC managing director **Mahmoud Zirakchianzadeh** announced that a technical and legal delegation went to Europe to negotiate the development of Lavan gas field.

He said that bilateral negotiations had been fruitful: the Master Development Plan was finalised with the European side. The delegation is to commence legal negotiations, the sale of gas or LNG, and the other related aspects of a contract.



Table 1: Project tracker

PROJECT	DEVELOPMENT
Kish gas field	> NIOC has drilled the third exploration well, at a depth of 4,050 m
Tang-e Bijar gas field	> Launch expected in near future > Gas production with 7 mcm/d capacity to be resumed
Jofeir oil field	> Expected to come on stream at a cost of \$500 million > Early production to start by May 2010
IGAT VII	> Ready to become operational

Table 2: South Pars update

PHASE	DEVELOPMENT
13, 14	> NIOC close to finalising talks with Royal Dutch Shell and Repsol over participation in the project
17, 18	> 34 per cent complete by 21 November 2009 > 40 per cent progress expected by the end of the current Iranian calendar year (20 March 2010)

ECONOMY & BUSINESS

Economic ties

South America and Africa

In a visit to five South American and African states in late November 2009, President Ahmadinejad signed several agreements

to enhance bilateral cooperation and boost economic relations in a sign of Iran's growing diplomatic clout among developing world countries:

- > In Brazil, Ahmadinejad signed eight cooperation deals in the areas of commerce, energy, and agricultural research.
- > In Senegal, Ahmadinejad pledged to aid that

country's developing automotive industry, delivering 1,000 tractors and helping with the construction of fuel storage depots.

- > In Bolivia, Iran signed an agreement to investigate the potential of industrialising lithium, the lightweight metal used in electric cars and batteries. Iran also offered \$1 billion in aid and credit to help Bolivia expand its natural gas production.

Belarus

The central banks of Iran and Belarus have signed three agreements to boost economic ties between the two countries, based on which

- > The two sides will use their local currencies in bilateral transactions.
- > Iran will organise educational courses on Islamic banking for Belarusian professionals. >>>

- > The ATMs of the banks of two countries will be interconnected.
- > A €50 million credit line will be allocated for Iranian investors in Belarus.

Corruption index

Mostafa Pour-Mohammadi, the head of Iran's General Inspection Organisation, condemned **Transparency International's** recent Corruption Perception Index, which ranked Iran 168th among 180 countries, calling it 'unfair, incorrect, biased, and fully politicised.'

Mostafa Pour-Mohammadi told Mehr News Agency on 24 November that Transparency International obtained information from newspapers and news agencies and not from reliable sources, leading to inaccurate statistics. Pour-Mohammadi acknowledged that part of the problem lay in the failure of Iranian organisations to provide up-to-date information to Transparency International.

Out of a potential score of 10, Iran's is 1.8. The country now finds itself among the 10 most corrupt countries in the world, and 18th among the 19 countries of the Middle East. It is worth noting that Iran ranked 77th in the 2005 CPI.

Economic reports

Falling oil revenues

The oil export revenues of Iran during the first 10 months of the year 2009 reached \$43

billion, 51 per cent of the total oil revenues of 2008 (\$83 billion). The sharp fall in oil prices, in addition to OPEC's decision to reduce its production ceiling, led to a severe drop in oil revenues for the member countries.

Based on a report released by the US Energy Information Administration, the net oil export revenues of OPEC members during the period was \$452 billion, while the figure for the year 2008 was \$966 billion. Iran had the second highest oil export revenues within OPEC during the period.

GDP to double in five years?

The Economist Intelligence Unit in its new report predicted that Iran's GDP will more than double during the next five years, from \$358.9 billion in 2009 to \$816 billion in 2014. It predicts that Iran's GDP will rise to \$414 billion in 2010, \$489.5 billion in 2011, \$587.7 billion in 2012, \$697.4 billion in 2013, and \$816 billion in 2014.

Forecasting foreign debt

In its latest report, the Economist Intelligence Unit (EIU) predicted that Iran's foreign debt would decrease by \$1.9 billion in 2009. The EIU assessed the figure to have been \$21.1 billion at the end of 2008, and predicted that it would fall to \$19.2 billion at the end of 2009.

On the whole, the EIU predicted that Iran's foreign debt would have a descending but gradual trend in the next two years, followed by a slight increase.

The *Business Monitor* assessed Iran's foreign debt to have been \$24.3 billion in 2008 and

Table 3:
Predictions on
Iran's foreign debts

YEAR	ECONOMIST IU (US\$ BILLION)	BUSINESS MONITOR (US\$ BILLION)
2008	21.100	24.353
2009	19.200	24.353
2010	18.400	24.840
2011	18.300	26.082
2012	18.400	27.646
2013	18.600	29.305

Sources: Economist, Business Monitor

predicted that it would remain unchanged in 2009. The *Business Monitor* predicted an ascending trend for the foreign debts of the country. For a comparison between the figures provided by these two sources, see Table 3.

Iran falls in world stock exchanges

The latest statistics released by the World Federation of Exchanges show that in November, the Tehran Stock Exchange was 43rd out of 53 exchange members.

The World Federation of Exchanges considers 17 criteria in ranking its members, but due to the structure of Tehran Stock Exchange only five variables can be studied, making the results less accurate. These variables are market capitalisation, share turnover velocity, number of trades in equity shares, total value of share trading, and number of listed companies.

Investment

Foreign investment approved

Requests for foreign investment in industrial and mining projects worth \$3 billion were approved at a meeting of the Board of Foreign Investment, reported Deputy Minister of Economic Affairs and Finance **Behrouz Alishiri**. Several applications from foreign investors - including extension of permits, increase of investment, and transfer of profits - were studied and approved at the meeting.

Investment activity falls

Despite very high oil revenues in the last four years, investment activity fell by 67 per cent over the same period. As reported by Farda News, the figure relates to two indices: capital investment and operational investments.

Some economic experts believe that investment activity will be negligible in the current Iranian year (21 March 2009-20 March 2010). As an example, the demand for construction decreased by 62 per cent during April-June 2009.

Economic briefs

Increasing bank capital

The governor of the Central Bank of Iran (CBI) criticised the Majles rejection of the bill to inject \$15 billion in capital into Iranian banks, using the resources of the Oil Surplus Fund. **Mahmoud Bahmani** called on the Majles to approve the bill, since 'this would help the production and industrial sectors.' >>>

Table 4: Negative trade balances, March–November 2009

	EXPORTS (US\$ MILLION)	IMPORTS (US\$ MILLION)	TRADE BALANCE (US\$ MILLION)
UAE	1,703	8,400	(6,697)
Germany	173	3,090	(2,917)
South Korea	369	2,126	(1,756)
Switzerland	16	1,440	(1,424)
England	27	1,198	(1,171)

Sources: Poul Economic Daily

Table 5: Positive trade balances, March–November 2009

	EXPORTS (US\$ MILLION)	IMPORTS (US\$ MILLION)	TRADE BALANCE (US\$ MILLION)
Iraq	2,548	45	2,503
Afghanistan	604	5	599
Syria	220	12	207
Azerbaijan	224	119	105
Indonesia	237	137	101

Sources: Poul Economic Daily

According to the CBI governor, the banking system paid 103.3 per cent of its resources as loans and facilities to production and industry in the last Iranian year (March 2008–March 2009). If banks are not provided with an injection of capital, their ability to provide credit and loans will not improve, added Bahmani.

Iran follows Chinese model

Following heavy criticism of the privatisation procedure in Iran and the emergence of a quasi-government sector, the head of the **Iranian Privatisation Organisation** (IPO) defended the procedure, saying 'We perform privatisation using the Chinese style.' **Kord Zangeneh** explained that this entailed an expedient process in two stages, 'first to larger complexes and companies that will later transfer their shares to smaller entities.'

No deposits to oil surplus fund

In a report to a parliamentary committee, the economic deputy of the Central Bank of Iran (CBI) announced the credit balance of the Oil

Surplus Fund (OSF) to be \$12 billion. In fact, the CBI reports indicate that the OSF has received no deposits in the current Iranian year (21 March 2009–present).

Withdrawals in the first term of Ahmadinejad's presidency were 268 per cent higher than that of the previous administration, while it earned more than \$300 billion in oil revenues in a four-year period.

Liquidity up 27 per cent

In the first six months of the current Iranian year (21 March–22 September 2009), liquidity in the country grew by 27 per cent, reported **Seyed Mohammad Jahromi**, the managing director of **Bank Saderat** and a member of the Money and Credit Council. He called for a proper management and liquidity control in the country.

Liquidity growth is one of the main drivers of inflation in Iran. Although it has this year has been curbed compared to previous years, it is still causing a major inflationary impact.

Imports/exports

The UAE topped the list of exporting countries to Iran, accounting for 36 per cent of total imports in the first eight months of the current Iranian year (21 March–21 November 2009). Germany and China are Iran's second and third trading partners, with 13 per cent and 12 per cent of the total \$32 billion imports, respectively. The UAE's leading position can be explained only through the use of Dubai as a re-export hub for products originating in other, mainly Western countries.

Iran exported \$12.6 billion worth of non-oil goods to 168 countries over the same period. Iraq had the greatest share, at more than \$2.5 billion. See Tables 4 and 5.

Subsidies bill ambiguous

The Guardian Council returned the Bill to Objectify Subsidies to the Majles on 9 December to be amended due to some 'ambiguities and contradictions.' According to the Council spokesman, the main issue is how the earnings will be spent.

The Council's decision followed disagreement between President Ahmadinejad and the Majles over details of the bill, including the formation of an organisation outside the framework of the state budget to manage and spend the huge funds released by lifting subsidies. Parliamentarians believed that such a move would be against the Constitution.

Ahmadinejad earlier threatened not to execute the bill, even if confirmed by the Guardian Council.

Some analysts believe that such a bill will add to the current economic and political problems of the country. According to MP **Jamshid Ansari**, the government has lost its motivation for this bill, which was primarily political rather than a desire for genuine reform of the economic structure, and is therefore 'looking for excuses.'

If the Majles and the Guardian Council do not reach an agreement over the issue, the case will be referred to the Expediency Council for the final decision.

28 November

- > Members of Majles Cultural Commission discussed issues of mutual interest with their Bulgarian counterparts in Sofia.

29 November

- > Russian Energy Minister Sergei Shmatko arrived in Tehran. The trip was aimed at boosting Iran-Russia energy ties and intensifying Russia's role in Iran's energy sector. During the visit, Shmatko met with Ali Akbar Salehi, head of the Iran Atomic Energy Organisation (IAEO) and Foreign Minister Manouchehr Mottaki.

30 November

- > Joint press conference by IAEO chief Ali Akbar Salehi and Russian Energy Minister Sergei Shmatko in Tehran.
- > Iranian officials announced that five British sailors whose yacht drifted accidentally into Iranian territorial waters in the Persian Gulf had been detained by the Revolutionary Guards marine force. The actual arrest took place on 25 November. The yacht was on its way from Bahrain to Dubai.

2 December

- > President Mahmoud Ahmadinejad was in Isfahan in a new round of provincial tours. The entire cabinet accompanied the president on this trip.
- > Iran released the five British sailors who were detained after entering Iran's Persian Gulf waters.

3 December

- > Brazilian Foreign Minister Celso Amorim visited Iran, only 10 days after Ahmadinejad's trip to Brazil. In his short visit to Tehran, Amorim met his Iranian counterpart, Manouchehr Mottaki, and President Ahmadinejad and reportedly continued talks over Iran's nuclear programme that had been initiated in Brasília.
- > Secretary of Supreme National Security Council (SNSC) Saeed Jalili visited Syrian President Bashar al-Assad in Damascus. The two sides conferred over the standoff between Iran and the West with respect to Iran's nuclear programme. The Yemen conflict and the Palestinian cause were also discussed.
- > Jalili met Hussein Khalil, political deputy of Hezbollah's Secretary General Hassan Nasrollah. Recent political changes in Lebanon were the major topic of the meeting.
- > Serbian National Assembly Speaker Slavica Uki Dejanovic met Foreign Minister Mottaki and Majles Speaker Ali Larijani.

6 December

- > Energy Minister Majid Namjou met Syrian Prime Minister Mohammad Naji al-Otari while in Damascus.

7 December

- > The opposition staged a vast protest to coincide with National Student Day, as riot police practised the most violent crackdown since the 12 June election. Over 100 protesters were arrested.

8 December

- > Iran released three Belgian nationals who

had been arrested a few months ago. The Belgians had been charged with illegal entry and collecting information.

- > Iranian officials attended the 4th session of the Asian Parliamentary Assembly in Bandung, Indonesia. Majles Vice-Speaker Mohammad-Hassan Abutorabi and the head of the Majles Cultural Commission, Gholam-Ali Haddad-Adel, were among the participants.
- > UAE Foreign Minister Sheikh Abdullah bin Zayed Al Nahyan met President Ahmadinejad in Tehran.

9 December

- > Defence Minister Ahmad Vahidi met Syrian President Bashar al-Assad in Damascus. Vahidi also met his Syrian counterpart, Ali Mohammad Habib, to discuss the two countries' strategic roles in the region.
- > Petroleum Minister Masoud Mirkazemi attended the Gas Exporting Countries Forum in Qatar.
- > Minister of Industries and Mines Ali-Akbar Mehrabian held talks with Icelandic President Olafur Grimsson on issues of mutual interest in Vienna. The meeting was held on the sidelines of the General Conference of the United Nations Industrial Development Organization (UNIDO).

12 December

- > Attending a regional security conference in Manama, Bahrain, Foreign Minister Mottaki announced that Iran was ready to swap 400 kg of enriched uranium with fuel for Tehran medical research reactor on the Persian Gulf Island of Kish. While in Manama, Mottaki met a number of senior regional officials, including the Kuwaiti deputy prime minister.

13 December

- > Hamas political leader Khalid Mashal arrived in Tehran and met with Majles Speaker Ali Larijani.
- > The Tehran mayor arrived in Copenhagen to attend a mayors' climate change summit.
- > Iraqi Electricity Minister Karim Vahid met First Vice-President Mohammad Reza Rahimi.

14 December

- > Azerbaijan Foreign Minister Elmar Mammadyarov held a joint press conference with Foreign Minister Mottaki in Tehran. The trip was intended to improve the two neighbours' energy ties. Mammadyarov announced that his country would vote against any anti-Iranian resolution.

15 December

- > Hamas political leader Khalid Mashal met Supreme Leader Ayatollah Ali Khamenei in Tehran.

16 December

- > Belarus Minister of Industries Anatoly M. Rucetski met President Ahmadinejad in Tehran and promised to broaden mutual relations.
- > Iran test-fired a surface-to-surface Sajjil 2 missile with a range of 2,000 km. According to official statements, the test was intended to increase Iran's power of deterrence.

17 December

- > President Ahmadinejad arrived in Copenhagen to attend the 2009 UN Climate Change Summit. He met a number of senior officials attending the conference and also a group of Danish media officials. >>>

19 December

- > Top dissident cleric Grand Ayatollah Hossein Ali Montazeri died at the age of 87 in the holy city of Qom. Monazeri was the de facto spiritual leader of the Green Movement.
- > Iraqi Kurdistan Prime Minister Barham Salih arrived in Tehran. While there he met President Ahmadinejad, Parliamentary Speaker Ali Larijani, chairman of the Expediency Council Akbar Hashemi Rafsanjani, Foreign Minister Manouchehr Mottaki, and top nuclear negotiator Saeed Jalili.
- > Foreign Minister Mottaki said Iran has put its recent offer of nuclear fuel swap on Kish Island on the table and is ready to review the nuclear proposal.

20 December

- > Parliamentary Speaker Ali Larijani travelled to Cairo to attend a meeting of the Islamic Inter-Parliamentary Union. During his visit, Larijani met his Egyptian opposite number, Fathi Sorour, as well as Egyptian President Hosni Mubarak. He also met Secretary General of the Arab League Amr Moussa and held a joint press conference with him in Cairo. Talking to his Egyptian counterpart, Larijani said Iran's strategy is based on having durable, firm, and well-run ties with neighbouring Islamic and Arab states.
- > SNSC Secretary Saeed Jalili arrived in Tokyo on a five-day visit to promote Iran-Japan political and economic cooperation. The top nuclear negotiator met Japanese Foreign Minister Katsuya Okada.
- > Georgian Energy Minister Alexander Khetaguri met Minister of Petroleum Masoud Mirkazemi in Tehran in order to boost the two countries' energy ties. >>>

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- > Minister of Labour and Social Affairs Abdolreza Sheikholeslami and Malaysian Human Resources Minister Subramaniam inked an agreement for bilateral cooperation.

21 December

- > Foreign Minister Mottaki met Lebanese Prime Minister Saad al-Hariri while on a visit to Lebanon. They conferred on expanding mutual relations and regional developments.
- > The funeral of Ayatollah Montazeri spilled over into a vast opposition rally in Qom. Some 500,000 demonstrators mourned the

Ayatollah and chanted anti-regime slogans.

22 December

- > President Ahmadinejad and his cabinet members entered Shiraz in a new round of provincial tours.
- > SNSC Secretary Saeed Jalili met with Japanese Prime Minister Yukio Hatoyama and Parliamentary Speaker Takahiro Yokomichi in Tokyo.

23 December

- > The Supreme Council of Cultural Revolution appointed Ali Moallem Damghani as the new head of the Arts Academy. Moallem replaces

Mir-Hossein Mousavi, who has been president of the academy since 1999.

- > President Ahmadinejad approved nomination of five new ambassadors. Alireza Salari Sharifabadi has been approved as new ambassador to Switzerland, Seyyed Rasoul Moussavi to Finland, Gharibabadi to the Netherlands, Mahmoud Babaei to Australia, and Majid Salehi to Ecuador.

24 December

- > An earthquake measuring 4.1 on the Richter scale shook the vicinity of Dargahan township in Hormozgan province.

27 December

- > A massive turnout of opposition demonstrators on the Day of Ashura (the death anniversary of Imam Hossein) turned violent when Iranian security forces fired on stone-throwing protesters in the centre of Tehran. At least five people were reportedly killed, including the nephew of opposition leader Mir-Hossein Mousavi.

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