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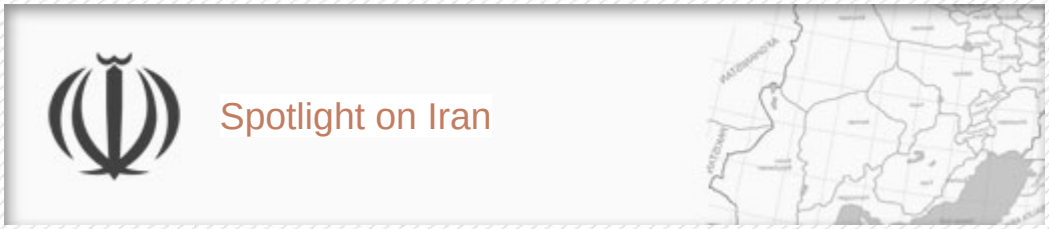

Spotlight on Iran

September 2012—Shahrivar 1391 Week of September 4-11, 2012 Editor: Dr. Raz Zimmt

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President's interview provokes sharp criticism and spurs speculations on his political intentions

An interview given by President Mahmoud Ahmadinejad to the Iranian television last Tuesday, September 4, drew strong criticism from his political opponents and fuelled speculations on his political intentions ahead of the next presidential elections, to be held on June 14, 2013.

In the interview, the president discussed a wide variety of issues pertaining to domestic and foreign policy. Among other topics, Ahmadinejad addressed the economic crisis in Iran, saying that the country's economic problems stem from the combination of the economic sanctions and the activity of several groups inside Iran that seek to hurt the economy in order to attain political and economic objectives.

The president admitted that the economic sanctions have created problems for the economy and the productive sector, and that Iran has difficulties transferring funds and

selling its oil. He stressed, however, that the Iranian people can bear the consequences of the sanctions, and that the governemnt is working to find solutions to the difficulties that the sanctions have brought forth. He claimed that the government has been successful in achieving economic progress despite the psychological warfare campaign waged by Iran's enemies, and expressed his hope that the government will be able to lower the inflation rate and bring stability to the foreign currency market.

The president criticized the banking system, arguing that its conduct and current interest rate policy is detrimental to the economy. He also criticized what he referred to as the authorities' excessive intervention in government affairs. Ahmadinejad reported that, in the course of the coming year, the government intends to implement fundamental economic reforms. Speaking about the subsidy policy reform, the president said that last year the government had transferred 80 percent of the reform budget directly to Iranian citizens, and used the remaining 20 percent to strengthen the productive sector. He rejected the criticism voiced by government critics of the reform's implementation, and stated that the government intends to proceed with the second phase of the reform plan.

In addition, the president discussed the corruption scandals exposed in recent years, saying that his is the most clean-handed government in the history of Iran and that the most important foundations underpinning his government are care for the citizens, justice, and morality. He expressed his support for his government ministers, said that he has confidence in their integrity, and accused his political opponents of waging a campaign against his government.

The interview given by the president to Iran's official broadcasting service drew strong criticism from Majles members affiliated with his critics in the conservative camp. Ruhollah Bigi Yilanlou, the deputy chairman of the Majles Economic Committee, said that the president's assertion that his government is the most clean-handed in the history of Iran is inconsistent with the recently exposed corruption scandals involving the government. He added that the people of Iran are suffering from economic problems, and that the president is making a big mistake by denying these problems. A government that claims to be responsible for the country's progress cannot absolve itself of responsibility for the economic crisis and must take measures to solve the economic problems. The Majles member said that, if it weren't for the Supreme Leader and his supervision, the problems Iran is facing would be much more severe.

Seyyed Hossein Naqavi Hosseini, the spokesman of the Majles National Security and Foreign Policy Committee, said that, instead of admitting his mistakes, the president is trying to lay the blame for the economic problems at the door of other people. According to Hosseini, if the economic situation really is the result of actions taken by elements outside of the government, this is indicative of a weakness in the government, which allows others to make its decisions. He further added that the style used by the president in the television interview is not helpful for solving the problems in the difficult economic conditions faced by Iranian citizens. The Majles member also criticized the official broadcasting service for the way it had conducted the interview, arguing that it could have been expected to act in such a way as to make the people of Iran feel that their demands and problems have been communicated to the president by the interviewer.

Hossein Sobhani-nia, also a member of the Majles National Security and Foreign Policy Committee, said that, after the successful Non-Aligned Movement summit recently held in Tehran, the president could have been expected to avoid slandering other top officials, which undermines the feeling of internal unity created during the summit (Farda, September 5).

The president's interview was also criticized in the written press and on social networks. In an editorial published by the reformist daily Shargh, Mohammad-Baqer Nowbakht, a member of the Expediency Discernment Council Research Center, said that the president did not acknowledge his government's responsibility for the economic problems. Even though Iran's revenues during the Ahmadinejad government have been unprecedented thanks to the increase in oil prices, his government has

failed to meet the economic objectives set within the multi-year development program. Economic growth dropped from 6.9 percent in 2005 to 2.7 percent in 2008 and, according to experts, continues to decline. The government has not implemented the overall policy set by the Supreme Leader and has not met the economic objectives, which is why the president cannot argue that his government has achieved economic progress and that it is not largely responsible for the economic problems (Shargh, September 6).

An editorial published by the E'tedal website, titled "Mr. Ahmadinejad! Don't you think the people have grown tired of your words?" also strongly criticized the president. During Ahmadinejad's seven-year presidential term, he has accused everybody even though no one has opposed him, the article said. Despite the magnitude of corruption, he continues claiming that his government is the most clean-handed in history. While the price of chicken has crossed the 8,000-toman mark and the dollar has crossed the 2,000-toman mark, the president failed to address the criticism directed at his government and, in a statement that goes against all the efforts to neutralize the effects of the sanctions, publicly announced that there are no buyers for Iranian oil.

The interviewer would have been well advised to ask the president a few more questions, the article said. For instance: Do you know that the price of one kilogram (2.2 lbs) of chicken has reached 8,000 tomans? Do you know that many Iranian men feel ashamed in front of their wives and children because they are out of work or get paid so little that they can't afford to spend 23,000 tomans on meat or 1,900 tomans on milk? When the dollar crossed the 1,200-toman mark two years ago, you said that it would drop below 1,000 tomans. Do you know that it was trading for 2,200 tomans yesterday? You said that the price of oil would exceed 200 dollars, but over the past year it was trading around 100 dollars. Would it not be better if you laid off your economic advisors?

This is not the first interview where the president praises himself and blames all the problems on his domestic critics, E'tedal said. The website called on Ahmadinejad not to forget that he has held the presidential office for over seven years, and that it is inappropriate to lay all the blame for his failures on others instead of providing answers about his conduct and the conduct of his government, because nobody buys that anymore (http://etedaal.ir, September 6).

Many Iranian web surfers, too, criticized the president's interview. A web surfer who commented on the Tabnak website's report about the interview said that, in his opinion, it would have been enough for the president to answer just one question: What positive changes have taken place in the lives of Iranians during his seven-year presidency? (Tabnak, September 5).

In addition to the criticism sparked by the president's remarks on the economic situation, the interview fuelled speculations on his political intentions now that his presidential term is drawing to a close. When asked whether he intends to uncover the names of those involved in corruption during his government's last year in power, the president replied, "How do you know this is the government's last year?" The government is part of the people, Ahmadinejad said, and the people will remain forever. His reply reignited speculations on his intentions to try and maintain his political influence in managing state affairs after the elections, and even run his controversial office chief Esfandiar Rahim Masha'i as a presidential candidate.

In response to the interview, Majles member Mohammad Dehqan condemned the president, and said that his remarks are indicative of his intention to continue working behind the scenes even after the presidential elections, in similar vein to the Russian model adopted by President Vladimir Putin. In an interview given to Mehr News Agency, Dehqan said that the main purpose of the interview given by Ahmadinejad was to take advantage of the state-controlled media to present his "Putin-Medvedev election program". Ahmadinejad should know, however, that Iran isn't Russia, that he isn't Putin, and that "his Medvedev" will enjoy no status with the Iranian public opinion.

Dehqan also strongly criticized other parts of the president's interview, saying that if Ahmadinejad had used his defamatory style during his first year in office, it would have been possible to attribute it to lack of experience; however, it is unacceptable to hear him use this style in his last year as president, and it doesn't help the presidency, the people, or the regime. The president is not willing to acknowledge the difficult facts of inflation and housing problems, the foreign currency market, industry and agriculture, and prefers to lay the blame for all the government's problems on others. Dehqan, a member of the Majles Presiding Board, said that when he had heard the interview, he was wishing to see the current government replaced as soon as possible by one that is more worthy (Mehr, September 5).

The reformist daily E'temad also discussed the president's alleged plan to try and implement the "Putin-Medvedev" model in Iran. An editorial titled "He wants to stay in power" said that Ahmadinejad would like to stay in power not by changing the constitution but rather by having one of his allies win the next presidential elections (E'temad, September 6).

Speculations about the president's political intentions ahead of the elections grew even stronger in the wake of several reports published last week by a number of Iranian news websites. Baztab, a website affiliated with the pragmatic conservative faction, reported last Monday, September 3, that the president's office chief Rahim Masha'i had recently insinuated that he intended to announce his candidacy for the presidential elections. According to the report, during a fast-breaking dinner held in the month of Ramadan, Masha'i stated that the president's supporters intend to work for the preservation of his government's achievements even after the elections. Speaking about the possibility of Mohammad-Baqer Qalibaf, the mayor of Tehran and one of the president's strongest political opponents, running in the elections, Masha'i said that many people have concerns about the possibility of Qalibaf becoming president and argued that the president's allies have a detailed plan designed to undermine Qalibaf's candidacy. He said that the government supporters must be allowed to continue pursuing its path and implementing its plans into the next government's tenure, and that assistance from God and the support of some friends will make it possible for the president's allies to retain control of the next government. Masha'i added that the president has the ability to promote the candidacy of one of his allies so that he can continue advancing his plans in the next government, and hinted that he may run in the elections himself if asked to do so by the president. The report also said that Mojtaba Samareh Hashemi, one of the president's top advisors, has recently been appointed chief of the election headquarters of the president's supporters.

In addition to the report that appeared on the Baztab website, Ensan-e Kamel ("Perfect Person"), a website affiliated with Ahmadinejad's supporters, said that the president is working to continue advancing his plans in the next government. Citing a "top government source", the report said that the president's main objective is to prevent the elections from being tampered with, and to ensure that they are held in free conditions that will make it possible for one of his allies to win. The source claimed that the president has a serious plan intended to secure his political future, and that he believes that the next government will be ten times more revolutionary than the current one. The source further stated that the social developments over the past year and a

half have proven that a candidate on the president's behalf does not need the direct support of Ahmadinejad, since his path is supported by the weaker sectors of society as well as by the middle class (www.ensanekamel.com, September 4).

In the wake of these reports, the president's office was quick to release a special announcement clarifying that the reports on Masha'i's intention to run in the coming elections are completely unfounded and that they are intended to hurt the president (Mehr, September 5). Sowlat Mortazavi, Iran's deputy interior minister, also denied any intent by the government to adopt the "Putin-Medvedev" model in Iran. In an interview given to IRNA News Agency, Mortazavi said that the government is unlikely to adopt the Russian model, and that what the president was referring to in his interview was the ideological continuation of his government's path (IRNA, September 8).

"A colony run by Britain": Iranian reactions to Canada's decision to cut off ties with Tehran

Top Iranian officials dismissed Canada's decision to cut off its diplomatic ties with Iran and expel the Iranian diplomats from its territory. Iran's Foreign Ministry Spokesman Ramin Mehmanparast said that the current Canadian government is extremist and racist, one whose policy is dictated by the Zionists and the British. He noted that in the past, Canada had already demonstrated its hostility towards the Iranian people and the Iranian nationals residing in its territory by taking various measures against them, such as closing down the visa department in the Canadian embassy in Tehran, freezing the bank accounts of Iranian nationals residing in Canada, and denying money transfers to Iranian students who study in Canada. He added that closing down the Canadian embassy in Tehran reflects the anti-Iranian policy of the country's government and stems from its failure to stop the Non-Aligned Movement from convening in Tehran. He added that Iran will respond to Canada's move with the appropriate measures.

Seyyed Hossein Naqavi Hosseini, a member of the Majles National Security and Foreign Policy Committee, defined Canada's decision as a "diplomatic suicide", saying that Iran is not concerned about and even welcomes the closing down of the Canadian embassy, since the relations with Canada have not been beneficial at all for the Iranian people. According to Hosseini, Iran did not have any deep economic or political ties with Canada, and that the consular relations the two countries did have were almost completely frozen in the recent period of time. The Majles member noted that, while the Canadian government claims in its announcement that its decision to cut off ties with

Iran is the result of Iran's relations with Syria, its stance towards Israel, and the nuclear issue, the truth is that the decision has to do with the success of the Non-Aligned Movement conference recently held in Tehran (Fars; ISNA; Fararu, September 8).

Mansour Haqiqatpour, the deputy chairman of the Majles National Security and Foreign Policy Committee, also argued that Canada's decision, which was made due to pressure exerted by the "Zionist regime", is a manifestation of the anger felt by Western countries over the success of the Non-Aligned Movement conference (IRNA, September 8).

Majles member Zahra Tabibzadeh, too, dismissed Canada's announcement, saying that cutting off the relations between the two countries is not important for Iran and does not deserve any mention, because Canada has no economic or political significance on the international scene. It is too bad, she said, that the relations with Canada were not cut off a long time ago, and that the only reason Iran maintained diplomatic ties with Canada was its policy, based on a desire to have diplomatic relations with all the countries in the world, including small ones. The Majles member argued that the main reason behind Canada's decision is the economic crisis the country is currently facing, which led to its decision to cut back and close down its embassies in 25 countries across the globe (Asr-e Iran, September 8). In the wake of Canada's announcement, Majles Speaker Ali Larijani canceled his scheduled visit to Canada in October to take part in the Inter-Parliamentary Union conference.

The Iranian media was also dismissive of Canada's decision, saying that its policy is dictated by Britain and Israel. The Iranian Diplomacy website argued that cutting off the relations with Canada will have limited consequences for Iran given the latter's good relations with Asian countries. A commentary article published by the website following Canada's announcement said that closing down the Canadian embassy in Tehran denies the United States access to yet another diplomatic channel of communication with Iran as well as a channel for collecting intelligence, since the embassies of Britain and Canada in Tehran were used by the United States as important means of collecting intelligence on the developments there (Iranian Diplomacy, September 8).

The daily Javan argued that the Canadians are working on the Zionists' behalf and in accordance with instructions issued by the United States and Britain, putting their country's vital interests at risk. An editorial titled "The Canadians on the Zionists' behalf" said that Canada's decision to cut off its relations with Iran shows how nervous the Zionists are, and that they are seeking to manipulate the British into putting pressure on Iran to make the latter change its policy on Syria and the nuclear program. The Zionists' influence in the Canadian government made it willing to sacrifice its own interests for the sake of the Zionists. This is where the Canadians are mistaken, since the future of the Zionists is uncertain considering the "Islamic awakening" in the Middle East (Javan, September 9). Following the severance of ties with Canada, Fars News Agency released a report on Canada's political system, titled "Canada, the Country of the Queen of England", emphasizing that Canada's governor general is appointed by the Queen of Britain (Fars, September 8).

The severance of ties between Canada and Iran also drew many reactions from Iranian web surfers. Most of the web surfers who commented on the report published by Tabnak on the severance of ties strongly condemned Canada's decision. Many of them accused the government of Canada of following the dictates of Western powers and the "Zionist lobby", with one web surfer going as far as to call Canada a "British colony" governed by the instructions of the Queen of Britain. Some web surfers said that Iran needs to deliver a strong response to Canada's decision. One web surfer suggested banning vessels that sail under the Canadian flag from entering the Persian Gulf, while another web surfer called on the government of Iran to reexamine its ties with other Western countries that are hostile towards Iran, including Australia.

Several web surfers dismissed Canada's decision, saying that it should not be made too much of and that the Non-Aligned Movement conference in Tehran has proven that

most countries in the world support Iran. Other web surfers, in contrast, expressed their concern over Canada's decision, particularly over its possible consequences for Iranian citizens and students residing in Canada. One of the web surfers mentioned that Canada is considered to be the country of choice for many Iranian students wishing to pursue their education abroad. Another web surfer argued that Canada's decision reflects the world countries' growing concerns about a war in Iran, and expressed his own concern that the decision will have a negative impact on the foreign currency market and the economic situation (Tabnak, September 8). The reformist daily E'temad also warned that the interests of Iranian citizens residing in Canada may be hit as a result of the severance of ties between the two countries, and called on the government to find a solution to protect them (E'temad, September 9).

The relations between Iran and Canada were severed after the takeover of the United States embassy in Tehran in 1980, and reinstated in 1996. The year 2003 marked the beginning of another round of deterioration in the relations between the two countries following the death of photojournalist Zahra Kazemi, an Iranian-born Canadian citizen. She was detained for taking pictures at a political demonstration against the regime and died during her interrogation in Evin Prison. In light of the increasing tension in the relations between the two countries, in recent years a number of Majles members have demanded that the activity of the Canadian embassy in Tehran be investigated, arguing that it is used for espionage.

Fiction or fact? Online release of Iranian novel reignites media frenzy

The online release of a novel written by the Iranian author Seyyed Mehdi Shoja'i has reignited the debate over his latest work these past several weeks. The novel Democracy *or* Demoghrazeh (دموکراسی یا دموقراضه) was first released in 2009 by Nistan, a publishing house directed by Ali Shoja'i, the author's son. Mehdi Shoja'i, the author of several books on Islamic religious themes, had no difficulties having his latest book authorized by the Ministry of Islamic Guidance. Since its first release, the book was printed in seven editions and sold 125 thousand copies. After some time, however, the distribution of the book was stopped—apparently on orders from the authorities—due to its controversial plot (www.mardomak.org, September 4).

Several weeks ago, a number of websites and Iranian social networks reported that the book was re-released online, following which the Nistan publishing house issued an announcement denying any connection to the release. The announcement stated that

Iran’s national library as well as other libraries and universities across the country hold dozens of copies of the book, and therefore there is no problem scanning it and illegally distributing it on the internet. Ali Shoja'i, the director of the publishing house, stressed that the release of the book had been previously approved by the Ministry of Islamic Guidance, that its sale was stopped at its author’s request, and that there is no legal reason why it should not be distributed. He added that the book discusses the idea of democracy in its overall sense, and that it should not be construed as having political meaning that applies to any particular political groups or personalities (Mehr, August 21).

The cover of Democracy or Demoghrazeh

Democracy or Demoghrazeh sparked considerable interest shortly after it was first released due to the obvious similarity between the reality it depicts and the reality of the Islamic republic, particularly after Ahmadinejad’s victory in the 2005 presidential elections. The book describes an ancient imaginary kingdom called Gharbestan, ruled by King Mamul. In his last will and testament, the king gives the citizens of the kingdom the option of choosing which of his 25 sons will become their next ruler. After the king’s death, the people choose a different son every two years, but each one is worse than his predecessor. After 24 of King Mamul’s sons each held the throne, the citizens of the kingdom decide to take revenge on them by voting for Mamul’s disabled, blind, and disfigured son, who is referred to as Demoghrazeh due to his ugliness and physical deformity (*ghrazeh* being Persian for “scrap”).

The election of the 25th son is a cause for joy and hope for the citizens, but that doesn't last for more than several days. It soon becomes clear that Demoghrazeh is a mad ruler who is willing to surround himself only by those like him: invalids, people who are mentally ill, idiots, or cripples, all of whom have him to thank for being appointed. For example, he puts an analphabet in charge of the kingdom's correspondence with other kings, and appoints blind and disabled people as military commanders.

The way Demoghrazeh's policy is depicted is strongly reminiscent of some features in the policy pursued by President Ahmadinejad. For example, the king tries to gain the support of his people by portraying himself as a people's champion who seeks to protect the weak and oppressed members of society. He puts considerable efforts into the incessant propaganda of his policy, attempting to convince the public that every decision he makes is the best ever made and that every action he takes is the most successful in history.

The king orders his allies to create an imaginary enemy to be blamed for all that is wrong in the kingdom. He makes the people fear the imaginary enemy in order to gain their support. In a possible veiled reference to the principle of "guardianship of the jurisprudent" that is employed in Iran, the author depicts the king as someone who declares himself to be particularly close to God and, consequently, endowed with numerous qualities. The king claims that obeying him is the same as obeying God, and paints his opponents as God's enemies.

Demoghrazeh's attitude towards his people is one of blatant disrespect. He treats his people as a flock of sheep and tells his allies that they have to be treated like animals. He claims that 99 out of every 100 people are ignorant simpletons, which is why there is no reason to take their opinion into consideration. This attitude is highly reminiscent of the views held by the top cleric Ayatollah Mohammad-Taqi Mesbah-Yazdi, formerly considered President Ahmadinejad's spiritual mentor. Mesbah-Yazdi, who is affiliated with the radical right-wing bloc of Iran's political system, once claimed that what the people think doesn't matter because the people are a flock of ignorant sheep.

As time goes by, the king's policy becomes more and more insane. After he slips and falls while on a visit to one of the kingdom's forested areas, he orders the ground leveled across the entire kingdom. At first, all the trees are cut down. Then all the walls and houses are destroyed so as not to be a hindrance to any person. The king's reign

ends when the kingdom is physically conquered by the ruler of one of its neighbors (for more details on the book's plot, see: http://habil.ir/weblog/673).

The considerable interest generated by Shoja'i's book stems to a great extent from the fact that, for many years, the author had been considered a close ally of the regime and even held a number of official positions on the cultural and literary scene, including an eight-year run as the editor of the culture supplement of the conservative daily Jomhuri-ye Eslami. In recent years Shoja'i has on several occasions criticized President Ahmadinejad's policy, warning that it is leading to Iran's cultural collapse.

In June 2009, just days before the presidential elections in Iran, Shoja'i sent a letter to President Ahmadinejad strongly criticizing his conduct towards Mir Hossein Mousavi, the reformist movement's candidate, and the policy he had adopted since being elected president in 2005. He argued that the president's immoral conduct and the exploitation of state budget for election propaganda undermined the society's morality, and accused Ahmadinejad of entrusting Iran's cultural and artistic affairs to non-deserving individuals (Tabnak, June 9, 2009).

In October 2011, speaking at a convention held in his honor in Tehran, Shoja'i said that Iran is in a state of cultural collapse. While top regime officials are trying to accuse an imaginary enemy of responsibility for Iran's cultural collapse, they are the ones to blame for the situation, the cause of which is their policy. He accused the Ministry of Islamic Guidance of politically intervening in the country's literary and artistic expression, and argued that the minister of Islamic guidance did not understand his role. He defined Iran's cultural situation as "tragic", and claimed that the situation had grown significantly worse over the past several years (Mehr, October 5, 2011).

His criticism was strongly condemned by regime supporters from the conservative bloc. The Raja News website accused Shoja'i of representing the positions of reformist opposition leaders, arguing that the author deviated from his religious and ideological commitment and started writing immoral literature (Raja News, October 6, 2011).

Rial continues losing ground against dollar and euro

The dollar's exchange rate broke a new record this week, at the beginning of which it was trading in the free market at 24,430 rials per dollar. The dollar's official exchange remains 12,260 rials. The rial's exchange rate has dropped by over 150 percent in the

past seven years, and by over 71 percent since the beginning of 2012. The euro's exchange rate reached a new peak as well, trading in the free market at 31,300 rials per euro.

The climb in the dollar's exchange rate continues contrary to the prediction of Iran's Central Bank Governor Mahmoud Bahmani, who stated last weekend that the rial would soon recover and reach a level of 15,000 rials per dollar. In an interview given to the Khabar Online website this week, Bahmani said that many Iranians keep large sums of money in dollars in their homes, and called on them to take their foreign currency and deposit it into their bank accounts. He noted that, according to his information, there have been many break-ins to private residences by burglars looking for foreign currency and gold. He further added that the citizens have no reason to be concerned about depositing their dollars into their bank accounts, and that the banks will have no problems selling them dollars if it should become necessary.

When asked about his assessment of future developments in the foreign currency market, Bahmani said he believes that the dollar's exchange rate is too high and that it will eventually drop. Speaking about the dollar's official exchange rate, which is considerably lower than it is in the free market, Bahmani said that the official exchange rate is only used for the import of vital basic products (Khabar Online, September 9). This week Bahmani told journalists that the Central Bank has no intention of raising the official exchange rate.

Mohammad-Reza Farzin, the spokesman of the government's Headquarters of Economic Transformation, also addressed the developments in the foreign currency market. He said that the exchange rate is influenced by a "psychological atmosphere" and that the Central Bank is unable to affect the foreign currency market even by injecting foreign currency into the market. He noted that the experience of the past year has shown that injecting foreign currency into the market is ineffective, and that the government is looking for new ways of directing the foreign currency market (Mehr, September 10). Majles member Ahmad Tavakoli criticized the Central Bank this week, arguing that for the past two weeks the bank has avoided injecting foreign currency into the markets, and that this was the cause of the sharp climb in the dollar's exchange rate in recent days (Tabnak, September 9).

Meanwhile, the Iranian media once again warned this week that the exchange rate of Iran's currency may continue dropping. In a commentary article, Fars News Agency

argued that the sharp increase in the dollar's exchange rate in the past four months has an impact on the inflation rate and on the buying power of Iranian citizens, and that it requires an immediate solution. The article said that importers purchase foreign currency at the relatively low official exchange rate and sell the imported products at the rial's free-market exchange rate, contributing to higher inflation. The increase in the cost of goods as a result of the dollar's soaring exchange rate severely impacts the people of Iran, the article said, and the indifference shown by those in charge—mainly the directors of the Central Bank—to the developments in the foreign currency market further exacerbates the situation. The author of the article called on the heads of the three branches of government to cooperate for finding an immediate solution to the escalating problem (Fars, September 9).

On the other hand, Labor and Welfare Minister Abdolreza Sheikholeslami argued this week that the rise in the exchange rate is positive, since imported products become more expensive and, consequently, the consumption of Iranian-made products increases (Tabnak, September 6).

Central Bank: significant increase in informal economy in Iran

Ravand ("Process"), a periodical published by the Central Bank, has recently released a report on the extent of the phenomenon of hidden (or "informal") economy in Iran. The report, which examines the scope of economic activity in Iran from 1350 (1971-1972) to 1389 (2010-2011) indicates a significant increase in the share of informal economic activity out of all economic activity in Iran in the past several years.

The economic daily Donya-ye Eqtesad ("World of Economy"), which published the data of the report this week, defined "hidden economy" or "informal economy" as the total economic activity taking place outside of a country's official economic activity and that is not monitored or controlled by the country. The extent of such activity is highly important since it affects the country's ability to plan and implement monetary and fiscal policy. For instance, a policy aimed at curbing inflation may lead to an increase in hidden economic activity, rendering the policy less effective.

The report released by the Central Bank discusses four main areas of hidden economic activity: family-sector activity, "informal activity", "abnormal activity", and "illegal activity". Family-sector activity refers to a situation where a family manufactures goods that do not penetrate into the official market and are consumed by the family

itself. If such activity is included in the overall national figures, the gross domestic product (GDP) may increase.

“Informal activity” refers to all the transactions in the economy that are not taken into account when calculating the GDP, such as commercial activities conducted by peddlers, vendors, or small business owners who have no employees. While the activity is perfectly legal, data on its size is hard to collect, which is why it is usually not considered when calculating the overall GDP.

“Abnormal activity” refers to manufacturing activity that, while in itself legal, is conducted in a way that contradicts state law—for example, various ways of tax evasion, disregard for regulations and safety protocols in factories, failure to pay social security or minimum wages to employees, unlicensed activity, insurance abuse, illegal use of immigrants as a workforce, and smuggling goods or foreign currency. “Illegal activity” refers to manufacturing goods and services that are completely illegal.

According to the authors of the report, three main elements influence the size of hidden economy: the effective tax rate, the minimum wage, and the unemployment rate. Increases in the effective tax rate and the minimum wage create more expenses for employers and consequently cause an increase in hidden economic activity, which allows employers to evade these expenses. Increases in the unemployment rate, too, create more motivation to engage in hidden and informal economic activity.

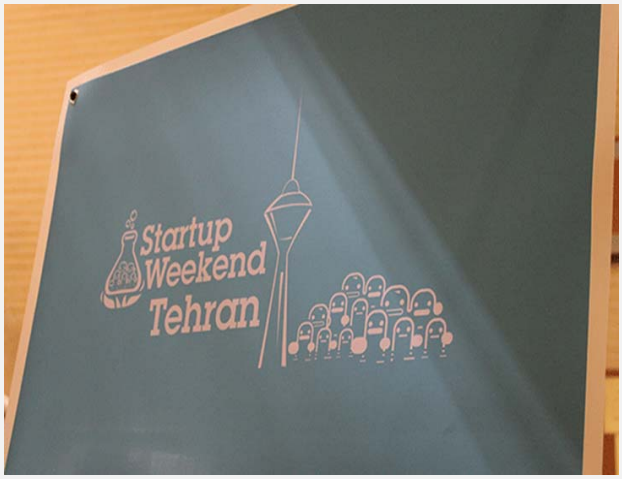
The Ravand periodical notes a sharp increase in informal activity (of the total GDP) from 4.2 percent in 1996-1997 to 21.2 percent in 2010-2011. The average size of informal economic activity in the years examined in the Central Bank’s study is 13.5 percent. The years 1995-1997 saw the lowest rate of informal economic activity; the highest rate was found in 2010-2011. The authors of the report argue that in 1995-1997 there was a decrease in the effective tax rate and the unemployment rate (8.9 percent), which led to a decrease in hidden economic activity. In 2010-2011, on the other hand, there was an increase in unemployment (13.5 percent), the effective tax rate, as well as the minimum wage. As a result, the phenomenon of hidden economy reached an unprecedented peak (Donya-ye Eqtesad, September 6).

The size of the informal economy as a percentage of GDP between 1350 (1971-1972) and 1389 (2010-2011) (according to Ravand's data as published by Donya-ye Eqtesad)

Year	Size	Year	Size	Year	Size	Year	Size
1350 (71-72)	14.5	1360 (81-82)	14.5	1370 (91-92)	7.7	1380 (01-02)	15.9
1351 (72-73)	14.5	1361 (82-83)	9.5	1371 (92-93)	8.7	1381 (02-03)	15.9
1352 (73-74)	14.5	1362 (83-84)	11.9	1372 (93-94)	9.4	1382 (03-04)	14.5
1353 (74-75)	14.5	1363 (84-85)	14.5	1373 (94-95)	7.3	1383 (04-05)	14.5
1354 (75-76)	16.3	1364 (85-85)	15.2	1374 (95-96)	4.6	1384 (05-06)	17.2
1355 (76-77)	16.4	1365 (86-87)	16.5	1375 (96-97)	4.2	1385 (06-07)	19.6
1356 (77-78)	14.5	1366 (87-88)	14.5	1376 (97-98)	10.0	1386 (07-08)	15.4
1357 (78-79)	14.5	1367 (88-89)	12.6	1377 (98-99)	14.5	1387 (08-09)	15.1
1358 (79-80)	14.5	1368 (89-90)	9.7	1378 (99-00)	17.6	1388 (09-10)	17.5
1359 (80-81)	14.5	1369 (90-91)	10.0	1379 (00-01)	14.5	1389 (10-11)	21.2

Tehran hosts its first-ever Startup Weekend, an event dedicated to encouraging technological entrepreneurship

Last week Iran hosted its first-ever Startup Weekend, an international project giving technological entrepreneurs an opportunity to present their ideas and promote new projects. The project was launched in the United States in 2007, with events held in over 90 countries so far.



All photos taken from http://live.startupweekend.ir

The event, which followed the format used in other countries, was held in Tehran on September 5-7. For 54 hours, 128 participants (91 percent of them men) presented their ideas and competed in 12 groups, with 20 top Iranian entrepreneurs and businessmen acting as judges. The event was attended by guests from abroad as well as entrepreneurs, businessmen, software developers, executives, hi-tech specialists, and graphic designers from all over the country. The first place was earned by a group that developed an application for processing sound files.

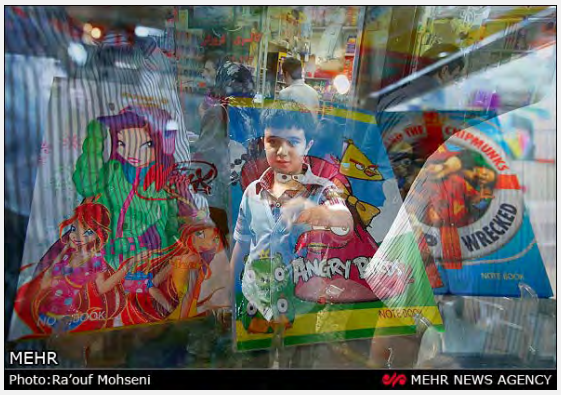
The main organizers of the event in Iran were the Khavarzamin computer company and the Iran Web Club. The project was made possible thanks to the support of mostly private-sector commercial bodies, includeng Pasargad Bank, the Taliya telecommunications company, and the Ministry of Science's Organization for Scientific and Industrial Studies.

During the convention, a number of lectures were given by businessmen and entrepreneurs working in telecommunications, computers, and information technology, including Dr. Shahab Javanmardi, an entrepreneur in the IT industry and director of the FANAP entrepreneurship company; Jahangir Aghazadeh, a top IT executive; Clint Nelson, a co-founder of the international Startup Weekend project; Shahin Tabari, the founder of the Iranian software company Chargoon; Mohsen Malayeri, the director of the Khavarzamin company; and Jaleh Majib, a member of the scientific committee of the Entrepreneurs and Technology Group at the Ministry of Science's Organization for Scientific and Industrial Studies. Photographs and live reports by the convention participants were uploaded to the project's website at http://live.startupweekend.ir.

Shortly before the event was launched, it was strongly criticized by Raja News, a website affiliated with the radical right-wing faction of the conservative bloc, which argued that having such an international project organized by a private company without executives and top officials being aware of its scientific content and implementation may be "a serious danger for supporters of the Islamic revolution". The website claimed that the project is yet another manifestation of the "soft war" waged against Iran in cyberspace these past several years, intended to promote the objectives of Western NGOs that seek to carry out "velvet revolutions" in the world and weaken those governments that oppose the United States. This kind of event, whose participants include such big companies as Google, Microsoft, and Amazon and which is not supervised by government officials, may cause severe security, cultural, and political problems, the website said.

Raja News noted that top officials do not pay enough attention to online activities, the result of which is that various elements use their technical know-how and internet experience to affect Persian-language web activity and portray themselves as being the representatives of Iranian web surfers in the world. If the authorities of Iran encourage those online activists who support the Islamic revolution instead of taking negative measures, such as blacklisting websites and monitoring activity on social networks and websites, Iran's enemies will fail at the soft wars in the next several years just as they failed at the eight-year war with Iraq (Raja News, July 2).

Pictures of the week: back to school preparations, Western-style




ZEBRA
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ERASER BL 30
FABER-CASTELL
Admiral
24
MEHR
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