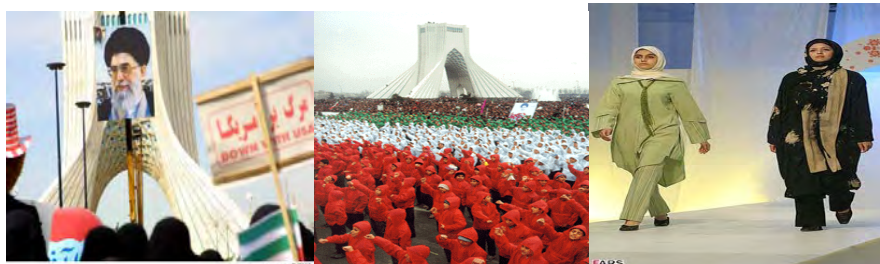




The Meir Amit Intelligence
and Terrorism Information Center

Spotlight on Iran

November 2010—Aban 1389
Week of November 11-18, 2010
Editor: Raz Zimmt



Highlights of the week

- ✓ Deposition of cash benefits in personal bank accounts under the subsidy policy reform program is complete; Iranians anxiously await price increases
- ✓ Iran prepares for conflict over its status in the Caspian Sea
- ✓ "Persian Gulf" or "Arabian Gulf": another controversy in Iran around the gulf's name
- ✓ Central Bank reports continuing decline in Iran's oil production
- ✓ Public attention once again focuses on brain drain phenomenon
- ✓ Pictures of the week: Iran-Telecom 2010—international telecommunications trade show in Tehran

Deposition of cash benefits in personal bank accounts under the subsidy policy reform program is complete; Iranians anxiously await price increases

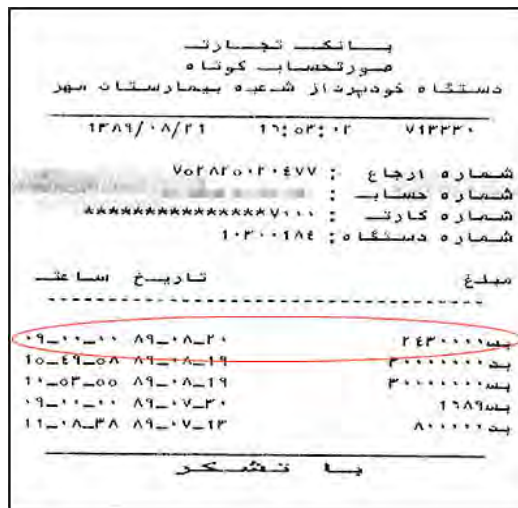
Last week the government completed the deposition of cash benefits in the bank accounts of Iranians under the subsidy policy reform. Residents of the provinces of Tehran, Alborz, and Semnan were the last to receive the cash benefits. Bi-monthly payments of approximately 81 thousand tomans (nearly 80 dollars) were deposited in each account. The cash benefits were deposited in the accounts of about 20 million households. According to information released by the Iranian Center of Statistics, a total of 67,640,000 Iranian citizens registered for the cash benefits as part of the program.

During the next stage of the reform's implementation, the government is supposed to announce by how much the price of various energy products will increase. The announcement will likely be made within the next two weeks without prior warning, to prevent citizens from stockpiling products and crowding the gas stations. Iranian citizens will be allowed to withdraw the cash benefits from their bank accounts around the time of the price increase. Mehr News Agency reported this week that the rate of the coming price increase became the talk of the day in Iran. The agency reported that the products bound for a price increase were gasoline, various kinds of petroleum, various kinds of gas, and electricity (Mehr, November 12). The price of free gasoline is expected to increase from 100 tomans (about 10 cents) per liter to 400 tomans per liter. It is still not clear by how much electricity prices will increase; it appears that the price of water will remain unchanged at this point.

At a press conference held this week by Mohammad Reza Farzin, the head of the Headquarters of Economic Transformation, he said that the date of the price increase hadn't yet been set. It was Farzin's assessment that the cash benefits given to the citizens would have tremendous influence on their lives. He noted that according to information released by the Center of Statistics, a rural family from the two lower deciles of society earns about 135 thousand tomans per month (about 130 dollars). A family of four will now receive a monthly cash benefit of 162 thousand tomans per month (about 156 dollars), more than doubling its monthly income (ISNA, November 15).

Earlier this week, a special session was held in the president's office for government and Majles representative to discuss preparations for the subsidy reform implementation (various news agencies, November 14).

This week, the Subsidy Policy Reform Organization has launched a hotline (at 09620) where Iranians can call 24 hours a day and ask questions about the reform (ISNA, November 15).



نمونه بالا مربوط به واریز یارانه نقدی به حساب یکی از خبرنگاران روزنامه دنیای اقتصاد است که برای یک خانوار سه نفره. جمعا ۲۴۳ هزار تومان در روز پنج‌شنبه ۲۰ آبان ماه به حساب او واریز شده است. تمام خانوارهایی که اطلاعات آنها به درستی ثبت شده باشد و نیز شماره حسابی که به مرکز آمار اعلام کرده‌اند تایید شده باشد، می‌بایستی شبیه نمونه بالا یارانه نقدی به ازای هر نفر ۸۱ هزار تومان هم اکنون در حساب آنها باشد. البته این مبلغ فعلا قابل برداشت نیست.

Example of a cash benefit deposit confirmation. Last Thursday (November 11), 243,000 tomans (about 235 dollars) were deposited in the account of the Iranian citizen in question, who has a family of three (from the economic daily Donya-ye Eqtesad, November 13).

In his last Friday's sermon, Ayatollah Ahmad Jannati, the Friday prayer leader in Tehran, expressed support for the subsidy policy reform, saying it would be beneficial for the lower classes of society. He called on citizens and media to assist the government in implementing the reform, and also called on the government to fight profiteering that may take place after the coming price increase (Fars, November 12).

The conservative daily Keyhan called on the government this week to inform the public as soon as possible about the manner in which the reform will be implemented to prevent rumors and not to undermine the public's trust. It is not just the government that needs time to implement its plans, says an editorial published by the newspaper; the public, too, needs time to adjust to the new conditions. The daily also called on the government to make sure that the reform contributes to the reduction of Iran's uneconomical energy consumption, being one of its main goals. Price increases alone will not lead to a change in consumption habits in Iranian society; the economic change must be accompanied by cultural and social changes. The editorial further states that Iran's enemies seek to take advantage of the reform to undermine the public's trust in the government. The daily expressed its confidence, however, that the public does trust the government and will not be influenced by the psychological warfare waged by the enemies of Iran (Keyhan, November 14).

Iran prepares for conflict over its status in the Caspian Sea

This week, President Ahmadinejad departed for a two-day visit to Baku, the capital city of Azerbaijan, to take part in a conference of Caspian Sea countries. The conference is attended by leaders of the five countries which border the Caspian Sea: Iran, Russia, Azerbaijan, Kazakhstan, and Turkmenistan. The discussions will revolve around the status of the Caspian Sea on the backdrop of the disputes between the countries over its division between them.

The Caspian Sea is the world's largest lake and boasts abundant oil and natural gas resources. It is home to a population of sturgeon, the fish whose eggs are used to produce caviar. In two treaties signed between Iran and the USSR in 1921 and 1940, the two countries agreed on equal division of the Caspian Sea waters between them. After the dissolution of the USSR in 1991, the three newly-independent countries, Azerbaijan, Kazakhstan, and Turkmenistan, refused to recognize the two treaties and demanded that the Caspian Sea resources be divided proportionally to the coastline length of each of the five countries. That proposal is detrimental to Iran's interests, as its coastline length is relatively small compared to the other countries bordering the Caspian Sea. If the proposal is passed, Iran will be able to use as little as 11 percent of the Caspian Sea resources. Iran does not accept the demand and insists on an equal division between the five littoral countries, which would give it rights to at least 20 percent of the Caspian Sea.



Iranian fishermen by the Caspian Sea shores

On the eve of the Caspian Sea countries conference in Baku, top Iranian officials announced that they intended to insist on Iran's demand to gain at least 20 percent of the Caspian Sea waters, and strongly oppose the proposals made by the other littoral countries. Foreign Minister Manouchehr Mottaki declared that Iran opposed one-sided treaties concerning the status of the Caspian Sea which do not serve the interests of all the countries bordering it. He noted that Iran's position was that each country must be given a fair and proportional part of the Caspian Sea to maintain peace and sustain regional stability for a long time (Mehr, November 9).

Mohammad Mehdi Akhoundzadeh, the president's advisor on Caspian Sea affairs, also announced that Iran strongly insisted on a 20 percent share of the Caspian Sea. He noted that Iran would never give up its rights, and that there could be no treaty concerning the legal status of the Caspian Sea without taking Iranian views into consideration. At the end of a round of meetings held by the Caspian Sea workgroup in Tehran last week, the president's

advisor said that any decision pertaining to the legal status of the Caspian Sea should be agreed upon by all parties and made on the basis of the principle of justice (Fars, November 11).

In recent days, the issue has also been taken up by the Iranian media, which called on the government not to compromise with regard to Iran's rights in the Caspian Sea. Tabnak, a website affiliated with the pragmatic conservative bloc, published a strong-worded article demanding that the government defend Iran's national interests and reject any concessions. In the article, the website examined the historic background for Iran's claims on Caspian Sea waters, claiming that the government must demand the realization of the agreements signed by Iran in the previous centuries with the USSR, and not to agree to less than one fifth of the Caspian Sea resources. The website also accused the other countries bordering the Caspian Sea of severely depleting its resources, polluting it, and causing a serious ecological disaster that threatens Iran's interests and citizens. It issued a call to exercise Iran's historic rights and even demand compensation for the pollution of the sea. Iranian diplomats, the article states, must be wise to avoid the trap set by the enemies of Iran, who seek to threaten its territorial integrity. The website argues that if the four countries do not agree to adopt the treaties signed in the 20th century between Iran and the USSR, Iran will have the right to demand the return of the Caucasus territory transferred from Iran to Russia following the treaties of Golestan (1813) and Turkmenchay (1828), which it signed with Russia in the 19th century (Tabnak, November 13).

“Persian Gulf” or “Arabian Gulf”: another controversy in Iran around the gulf’s name

The historic dispute between Iran and the Arab world over the name of the Persian Gulf has once again stirred a controversy this week, after the term “Arabian Gulf” was used at the opening ceremony of the 16th Asian Games in Guangzhou, China. The term, which provoked strong reactions from Iran, appeared on a map of the Middle East displayed on giant TV screens for several seconds during the opening ceremony.

Following the incident, Mehdi Safari, the Iranian ambassador to Beijing, filed an official protest with the Chinese government. Ali Sa'idlou, head of the Iranian Physical Education Organization, and Mohammad Ali Abadi, chairman of Iran's Olympic Committee, also filed protests over the use of the term “Arabian Gulf” (Fars, November 13). Several Majles members also protested the use of the term by the organizers of the Asian games. In a letter they sent to President Ahmadinejad and Foreign Minister Mottaki, the Majles members called on the government to demand that the government of China issue an official apology, and

even to withdraw from the games if such an apology is not made (Fars, November 13). The Iranian protest prompted the Chinese PM to apologize to the chairman of Iran's Olympic Committee and the head of the Physical Education Organization for the incident.

Following the incident, the reformist daily Mardom Salari published a particularly strong-worded editorial calling to ban the games in Guangzhou. In an article titled "Dealing with the distortion of the Persian Gulf's name once and for all", the daily warned about the increasing use of the term "Arabian Gulf" to refer to the gulf. The daily criticized top Iranian officials who were present at the opening ceremony, claiming that while they did leave the stadium following the incident, they settled for an apology from the competition's organizers and did not react with the appropriate vigor to the damage done to Iran's sovereignty and its national interests.

The editorial says that the Iranian people have proven that, in order to support the Palestinian people, they are willing to support the position of the regime and boycott competitions where Israeli athletes participate. There is therefore no doubt that they will be willing to do everything to defend the national interests of their country. The residents of Iran are willing to boycott the Asian games, so that not only the Arabs, but all the countries that support their fallacious position about the distortion of the gulf's name, understand once and for all that they must stop using the term "Arabian Gulf". If Iran remains silent over the latest incident, it will no longer be able to express its opposition to the use of the erroneous term, since the two billion people who watched the opening ceremony are unaware of the silent protest of the top Iranian officials and the apology offered by the organizers, and may come to believe that that is the gulf's real name. Iran must boycott the games until the mistake is corrected, and demand that the correct name of the gulf appear during the closing ceremony (Mardom Salari, November 14).



The Iranian delegation at the opening ceremony of the Asian Games

The website Tabnak also protested the lack of a stronger response from the Iranian authorities, claiming that the Chinese apology was not covered on Iranian or world media. The website argued that this put Iran at a disadvantage against the Arab position on the issue, and demanded that the top sports officials provide the official text of the Chinese apology for the website to publish (Tabnak, November 14).

The name of the Persian Gulf has been a bone of contention between Iran and the Arab world since the 1950s, with Iran following an aggressive policy with regard to any element in the Arab world or on the international scene making use of the term "Arabian Gulf". Among other things, in recent years Iran has been waging an extensive public relations campaign against the use of the term, which includes boycotting international bodies and publications that make use of the term, "Google bombing" the term "Persian Gulf" (i.e., attempting to influence a website's ranking in the search results), and even hacking various websites where the term "Arabian Gulf" is used.

Central Bank reports continuing decline in Iran's oil production

This week, the Iranian Central Bank released its annual report about the situation of Iran's economy in the past Iranian year (March 21, 2009 – March 20, 2010).

Key Economic Indicators in 1388	
Population and Labor Force	
Population ⁽¹⁾ (million)	73.6
Urban	52.3
Rural	21.3
Population Growth	1.5 percent
Population Density	44.7 per Sq Km
Active Population	23.8 million
Unemployment Rate	11.9 percent
Literacy Rate ⁽²⁾	87.3 percent
6 years and over	95.6 percent
6-20 years	
Source: Statistical Center of Iran (SCI)	
(1) Figures related to population (sexes and rural) are preliminary.	
(2) President Deputy for Strategic Planning and Control	
External Sector (million USD)	
Current Account Balance	10,282
Trade Balance	20,936
Exports	87,534
Imports (FOB)	66,598
Total External Debt (end of period)	21,526
Exchange Rate (RIR/USD)	
Interbank Market (average)	Rir 9,920
Monetary Sector (growth rate, percent)	
Liquidity (M2)	23.9
Money (M1)	14.5
Quasi-money	27.5
Non-public Sector Deposits	24.1
Real Sector (1387, Q2)	
GDP Growth (1376=100)	
Oil	2.3 percent
Non-oil	2.7 percent
GDP Growth (* FYDP target) (1381=100)	
Average Period	8.0 percent
1387	8.4 percent
Performance of 1387, Q2 (current prices, billion Rir)	
GDP (at basic price)	1,065,946
Gross Fixed Capital Formation	263,354
Private Consumption Expenditures	350,807
Public Consumption Expenditures	114,765
Inflation Rate (1383=100)	
Performance	10.8 percent
* FYDP target (1381=100)	
Average Period	9.9 percent
1388	6.8 percent
Government Fiscal Position (billion Rir)	
Revenue	460,717.1
Expense	503,783.9
Disposal of Non-financial Assets	164,422.3
Acquisition of Non-financial Assets	198,173.1
Net Lending / Borrowing	196,797.6
Tehran Stock Exchange	
Share Price Index (end of period)	42,586.7
Value of Shares Traded	Rir 184,166.0 billion
Number of Shares Traded	85,625.0 million

CEI
Economic Trends
1388, Q4

From the Central Bank's full report, available on its website: www.cbi.ir

The report indicates a continuing decline in oil exports from Iran. Last year, Iran exported 2.024 million barrels per day, compared to 2.309 mbd in 2008-2009, 2.522 mbd in 2007-2008, and 2.486 mbd in 2006-2007.

Oil production also dropped by about 10 percent, reaching 3.557 mbd compared to 3.945 mbd in 2008-2009, 4.057 mbd in 2007-2008, and 4.052 mbd in 2006-2007. The total oil production dropped from over 1.4 billion barrels in 2008-2009 to nearly 1.3 billion barrels in 2009-2010.

The report also indicates a sharp increase in the export of non-oil-based products: from 18.9 billion dollars in 2008-2009 to 21.3 billion dollars in 2009-2010. The increase has been evident in past years as well: 14.2 billion dollars in 2006-2007 and 16.1 billion dollars in 2007-2008.

Iran's national debt remained largely unchanged and reached 21.526 billion dollars compared to 21.502 billion dollars last year.

According to the annual report, the Central Bank's foreign currency reserves reached over 65 billion dollars last year, an increase of 16.5 percent compared to the previous year (Donya-ye Eqtesad, November 13).

As in previous years, the Central Bank avoided releasing figures on the rate of last year's economic growth. It should be noted that the report does not address possible changes in economic indicators from the beginning of the current Iranian year.

Public attention once again focuses on brain drain phenomenon

The public discourse on the brain drain phenomenon has resumed recently after top Iranian officials once again denied its existence. Science Minister Kamran Daneshjou has recently stated that the extent of the phenomenon is greatly exaggerated, and that the figures on the severity of the phenomenon in Iran are not up to date. Speaking at a conference of executives held in Tehran in late October, Daneshjou said that the International Monetary Fund figures about brain drain from Iran were based on 1990 data, and that even that data was questionable (Asr-e Iran, October 30).

Deputy Minister of Student Affairs Mahmoud Molabashi claimed that "brain drain" was an unscientific, meaningless term. According to Molabashi, what exists in Iran is not "brain drain" but rather "brain circle". He said that there was nothing wrong with Iranian students wishing to study towards advanced degrees abroad, and that this could not be called "brain drain". According to Molabashi, since the Islamic revolution the Ministry of Science has sent over 12,500 Iranian exchange students abroad, of whom only 400, that is, less than 3 percent, did not return to Iran after graduation. He further stated that there are now 80 thousand Iranian students studying abroad compared to over 4 million studying in higher education institutions in Iran, and that there are also students from over 90 countries studying in Iran. The presence of Iranian students abroad is a reflection of scientific exchange rather than brain drain, the deputy minister said (Mehr, November 2).

Iranian media have expressed reservations over those statements, claiming they reflected the disregard shown by top Iranian officials for the brain drain phenomenon threatening Iran's society. For example, the daily Ebtekar published an editorial referring to the science minister's statement as "puzzling" and claiming that such statements did not help deal with the phenomenon. The daily called on the authorities to take the necessary measures to solve the problem, such as by drawing foreign investments in Iranian economy, instead of ignoring it (Ebtekar, October 24).

Last week, several Iranian news websites released the findings of a study recently conducted by a web surfer on the Ayandeh website. He examined the present whereabouts of 12 honor high school students who obtained the highest scores in the 2001 university entrance exams

and whose photographs were published in Iranian press in June 2001. The findings of the study were as follows:



- ✓ Neda Nateq (first from right, upper row), ranked first in mathematics and engineering, currently studies at Stanford University.
- ✓ Ashkan Borna (second from right, upper row), ranked second in mathematics and engineering, currently studies at Berkley University.
- ✓ Ehsan Shafi'i Pourfard (third from right, upper row), ranked third in mathematics and engineering, currently studies at the University of Illinois.
- ✓ Mohammad-Falahi Sijani (fourth from right, upper row), ranked first in science, currently studies at the University of Michigan.
- ✓ Peyman Habibollahi (first from left, upper row), ranked third in science, currently studies at Harvard University.
- ✓ Mohammad Reza Jalali-Pour (first from right, bottom row), ranked first in liberal arts, currently studies at Oxford University (Asr-e Iran, November 10).

According to data released by the International Monetary Fund in 2009, Iran ranks first in brain drain in a study that examined the extent of the phenomenon in 91 developed and developing countries.

According to the International Monetary Fund, 150-180 thousand Iranians emigrate from Iran each year for various reasons, over 250 thousand Iranian engineers and doctors and over 170 thousand Iranians with higher education reside in the U.S. The main factors which encourage the phenomenon include unemployment, low salaries for lecturers and specialists, lack of sufficient scientific capabilities, and political and social instability.

Pictures of the week: Iran-Teleco 2010—international telecommunications trade show in Tehran



Photographs taken from www.iran-telecom.com, the official website of the trade show