



**The Meir Amit Intelligence
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Spotlight on Iran

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Editor: Raz Zimmt



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Iran's Ministry of Intelligence: U.S.-led exile government plot foiled

A documentary shown on Iranian TV last week alleged that the Ministry of Intelligence was successful in foiling a plot by the U.S. administration, Western intelligence services, and the Iranian opposition to form a government in exile for Iran.

The film *Diamond for Deception* documented the activity of Mohammad-Reza Madhi, a diamond trader, who according to the film's creators had penetrated the Iranian opposition on behalf of the Iranian intelligence, having first been recruited by the U.S. administration and Western intelligence services.

According to the film, the Iranian intelligence services monitored Madhi's contacts with U.S. administration representatives and were able to convince him to discontinue his cooperation with the West and penetrate the Iranian opposition on behalf of the Iranian intelligence. The Ministry of Intelligence claimed that intelligence forces had "rescued" Madhi and brought him back to Iran after receiving information on a plan to relocate the "leadership council" of the government in exile to a base in Tel-Aviv with the intent of organizing acts of sabotage and staging a military coup in Iran.

Iranian media claimed this week that this was yet more proof of Iran's intelligence superiority and the failed attempts made by Western intelligence services to rally the Iranian opposition against the regime. On the eve of the second anniversary of the Iranian presidential elections, the "exposure" was used to once again portray the reformist opposition as being in league with the U.S. administration and Western intelligence services.

Anniversary of 2009 elections passes quietly amidst opposition's weakness

Marked earlier this week, the second anniversary of the Iranian presidential elections that triggered the outbreak of the riots in the summer of 2009 passed without special incident. On June 12, the day of the anniversary, websites affiliated with the reformist opposition reported increased Basij and security forces presence at Tehran's main squares and isolated confrontations between demonstrators taking part in peaceful processions and security forces on Valiasr Avenue in the center of Tehran. Conservative media reported, however, that other than unusual security forces presence, the day was entirely uneventful.

In the days leading up to the election anniversary, the two major reformist opposition organizations, the Islamic Iran Participation Front and the Mojahedin of the Islamic Revolution Organization, called on their supporters to protest only in a peaceful manner and avoid violence.

On the eve of the anniversary, reformist opposition websites reported that calls of "Allahu Akbar" and "Death to the dictator" were heard in cities across Iran in support of the opposition.

Mixed reactions to Central Bank decision to sharply devalue exchange rate of local currency

This week the Iranian media widely covered a decision made by the Central Bank last week to devalue the exchange rate of the Iranian rial to the U.S. dollar by a dramatic 11 percent.

According to the Central Bank, the devaluation aims to reduce the difference between the rial's official exchange rate and its value on the free market. Economy experts in Iran estimated, however, that the decision to devalue the currency also had to do with the budget deficit and the drop in foreign currency reserves driven by the ongoing economic crisis and the impact of the international sanctions on Iran.

The announcement made by the Central Bank rekindled the debate between supporters and opponents of the devaluation. Supporters said it was a necessary decision given the ongoing drop in the value of the Iranian currency on the free market, estimating that it would strengthen the productive sector and increase export. On the other hand, opponents of the decision argued that the devaluation would further increase the inflation rate due to its effect on the prices of commodities imported to Iran.

Turkey as model of Islamic success: Iranian media reacts to Erdoğan's victory

In their coverage of the Turkish prime minister's victory in the elections held this week, the Iranian media focused on the achievements made by Erdoğan's government in the past eight years. By emphasizing his government's economic and political achievements, some of the media implicitly criticized President Ahmadinejad's policy.

The Iranian media had praise for the achievements made by the Justice and Development Party in the past eight years and placed particular emphasis on its success in increasing economic growth, curbing inflation, reducing unemployment, and adopting a proactive foreign policy to cement Turkey's status in the region.

The economic daily Donya-ye Eqtesad listed the economic achievements made by Erdoğan's government and, in implicit criticism of the policy followed by the

government of Iran, argued that the success of the Islamic party in Turkey was rooted in a combination of economic openness and political moderation.

The daily Mardom Salari's coverage of the achievements made by the Turkish government also offered some implicit criticism for the policy of Ahmadinejad's government. Erdoğan's success, the daily argued, lies in avoiding populism and adopting a correct economic and political policy that serves the people of his country in actions rather than words.

Iran's Ministry of Intelligence: U.S.-led exile government plot foiled

A documentary shown on Iranian TV last week alleged that the Ministry of Intelligence was successful in foiling a plot by the U.S. administration, Western intelligence services, and the Iranian opposition to establish a government in exile for Iran. On the eve of the second anniversary of the outbreak of the riots after the Iranian presidential elections, the "exposure" was used to once again portray the reformist opposition as being in league with the U.S. administration and Western intelligence services.

Last Wednesday (June 8) Iran's Channel 1 aired a film titled *Diamond for Deception*. The film documented the activity of Mohammad-Reza Madhi, a diamond trader who had penetrated the Iranian opposition on behalf of the Iranian intelligence, having first been recruited by the U.S. administration and Western intelligence services to help form a government in exile for Iran.



Mohammad-Reza Madhi

In the film, Madhi claimed that, while on a business trip to Bangkok, he was offered by the U.S. embassy in Thailand to help the American administration's efforts to rally the Iranian opposition abroad. At first Madhi refused, but when he went to Saudi Arabia he was contacted by the U.S. embassy in Riyadh that arranged for him to meet with Secretary of

State Hillary Clinton. The Iranian businessman then allegedly traveled to Washington and met with Vice President Joe Biden and President Obama's adviser Dennis Ross.

Following the meetings he was sent to Paris to coordinate the activity of the Iranian opposition for the formation of a government in exile. During his stay in Paris, he took part in a conference attended by representatives of the opposition organizations and Western intelligence services. As part of the conference talks, he met with Amir-Hossein Jahanshani, a businessman of Iranian descent who, according to the film's creators, has dual French-Israeli citizenship, and Dr. Mehrdad Khonsari, an academia member of Iranian descent and also an active member of the Iranian opposition in Europe. Madhi claimed that, during the conference, the U.S. administration representatives had agreed to pay 7 billion dollars to the opposition organizations to sponsor their activity against the Iranian regime, and that he was chosen as head of the "Supreme Security and National Interests Council" (Mehr, June 9).

According to the film, the Iranian intelligence services monitored Madhi's contacts with U.S. administration representatives and were able to convince him to discontinue his cooperation with the West and work with the Iranian intelligence to penetrate the opposition. The Ministry of Intelligence claimed that intelligence forces had "rescued" Madhi and brought him back to Iran after receiving information on a plan to relocate the "leadership council" of the government in exile to a base in Tel-Aviv with the intent of organizing acts of sabotage and staging a military coup in Iran.

Commenting on the exposure of the affair, a senior Ministry of Intelligence official said that the U.S. had been trying to form a government in exile for Iran and needed Iranian figures with the right social and religious background. As part of its efforts, the U.S. approached Madhi, who had a background in Iranian administrative apparatuses and did business in Bangkok (Fars, June 10).

Intelligence Minister Heydar Moslehi also commented on the affair, claiming that the Iranian opposition abroad had attempted to make use of Madhi, but that the Ministry of Intelligence was able to foil the plan and have him infiltrate the opposition (Fars, June 12).

Iranian media claimed this week that this was yet more proof of Iran's intelligence superiority and the failed attempts made by Western intelligence services to rally the Iranian opposition against the regime.

An editorial published by the daily Keyhan said that the exposure of Madhi's activity was yet another success for the Iranian intelligence, and yet another proof of the foolish conduct of

Western intelligence services. According to the daily, there is no question that the Western intelligence services, mainly the CIA and the Mossad, were well aware that Madhi, contrary to his claims, was not a senior Revolutionary Guards official or a person of influence in the Iranian regime, and yet they were nonetheless willing to use him as part of their support for the opposition. If the intelligence capabilities of Western intelligence services were better than those of the Iranian intelligence, Keyhan said, the Islamic republic should have fallen dozens of times by now. Since that hasn't happened, it should be acknowledged that Iran has won not only the "soft war" against the West but also the intelligence campaign.

Tying the story to the political crisis that broke out between President Ahmadinejad and the Supreme Leader over the dismissal of Intelligence Minister Heydar Moslehi, Keyhan argued that the recent exposure underlined the wisdom of the Supreme Leader, who facilitated the Ministry of Intelligence's success by preventing the minister's dismissal (Keyhan, June 12).

A spokesman for the U.S. Department of State denied the allegations raised by the documentary, saying that no senior U.S. administration official had ever met with Madhi. Elements in Iran's exiled opposition also categorically denied Madhi's claims and stated that they were groundless (Jaras, June 20).

Anniversary of 2009 elections passes quietly amidst opposition's weakness

Marked earlier this week (June 12), the second anniversary of the Iranian presidential elections that triggered the outbreak of the riots in the summer of 2009 passed relatively quietly.

On the day of the anniversary, websites affiliated with the reformist opposition reported increased Basij and security forces presence at Tehran's main squares and isolated confrontations between demonstrators taking part in peaceful processions and security forces on Valiasr Avenue in the center of Tehran. According to the reports, the security forces arrested several dozen demonstrators and closed down the shops and movie theaters situated on the street (www.iranpressnews.com; Kalemeh, June 12).



“We are all green together”: a logo created for Iran’s election anniversary as it appeared on Jaras, a website affiliated with Mir-Hossein Mousavi’s supporters

Those media affiliated with the conservative bloc reported, however, that other than strong security forces presence, the day was entirely uneventful, and that the movie theaters on Valiasr Avenue were operating as usual (Khabar Online, June 12).

Internal security forces deputy chief Ahmad-Reza Radan said that, contrary to what foreign media claimed, no incidents had been reported on the election anniversary (IRNA, June 13).

The government news agency IRNA reported that the attempts made by few agitators to disturb public order had failed thanks to the wisdom shown by Tehran’s citizens and the increased presence of security forces, which arrested some of those agitators. The agency claimed that despite incitement attempts made by “anti-revolutionist” media before the election anniversary, the few “troublemakers” working for foreign elements had been unable to instigate riots and incite passers-by (IRNA, June 12).

In the days leading up to the election anniversary, the two major reformist opposition organizations, the Islamic Iran Participation Front and the Mojahedin of the Islamic Revolution Organization, called on their supporters to protest only in a peaceful manner and avoid violence.

A memorandum of opinion released by the Mojahedin of the Islamic Revolution Organization called on citizens to take part in peaceful demonstrations organized by the reformist opposition in Iran’s major cities. The organization condemned the authorities’ ongoing policy of political, social, and cultural suppression, claiming the policy reflected the government’s weakness in dealing with its opponents. The Participation Front also addressed its supporters and called them to express their protest in legal ways. It also demanded that the government cease its policy of suppression and allow the public to express its demands.

Iran's former president Mohammad Khatami once again called for the release of the two reformist opposition leaders, Mir-Hossein Mousavi and Mehdi Karoubi, who have been under house arrest for nearly four months. Speaking at a meeting with families of soldiers killed in the Iran-Iraq War and political activists from the city of Khoramshahr, Khatami expressed his hope that the opposition leaders and their families would soon be released. He stressed that the supporters of Iran and the revolution are not interested in violence—instead, they are calling for an end to the security atmosphere, the political pressure, and the arrests, and for a free political atmosphere (Jaras, June 11).

On the eve of the anniversary, reformist opposition websites reported that calls of “Allahu Akbar” and “Death to the dictator” were heard in cities across Iran in support of the opposition (Jaras, June 11).

Mixed reactions to Central Bank decision to sharply devalue exchange rate of local currency

This week the Iranian media widely discussed last week's decision by the Central Bank to devalue the exchange rate of the Iranian rial to the U.S. dollar by a dramatic 11 percent. Following the decision, one U.S. dollar was trading at 1,172 tomans, compared to 1,057 tomans last week. The rial dropped against other foreign currencies as well, mainly the euro.

According to the Central Bank, the devaluation aims to reduce the difference between the rial's official exchange rate and its value on the free market. Central Bank governor Mahmoud Bahmani said this week that moneychangers made about 140 tomans per dollar thanks to the difference between the two exchange rates. At this point, the decision of the Central Bank has been unable to reduce the difference, since in recent days both the dollar and the euro have made considerable gains on the free market as well. Earlier this week one U.S. dollar was trading at 1,245 tomans (Mehr, June 13).

Economy experts in Iran estimated that the Central Bank's desire to unify the official and unofficial exchange rates was only one reason for the decision to devalue the currency, other factors involved being the budget deficit and the drop in foreign currency reserves driven by the ongoing economic crisis and the impact of the international sanctions on Iran.

Former Majles member Dr. Mohammad Khoshchereh argued that the government had decided to devalue Iran's currency to compensate for the recession-driven drop in its revenues. The economic sanctions imposed on Iran make it impossible to increase state revenues by ramping up exports, Khoshchereh said, and the government was therefore forced to opt for a sharp devaluation (Farda, June 9).

In an interview given to the economic daily Donya-ye Eqtesad (“World of Economy”), the former deputy director of the Central Bank also estimated that the decision to devalue the currency had been made not only to reduce the difference between the exchange rates, but also to compensate for the government’s budget deficit and the shortage of foreign currency (Donya-ye Eqtesad, June 11).

The announcement made by the Central Bank rekindled the debate between supporters and opponents of the devaluation. Supporters said it was a necessary decision given the ongoing drop in the value of the Iranian currency on the free market, estimating that it would strengthen the productive sector and increase exports. The daily Donya-ye Eqtesad expressed support for the decision, arguing that its benefits outweighed any negative effects it might have. An editorial published by the daily said that the devaluation would increase production, improve Iranian manufacturers’ ability to compete on the domestic and foreign markets, increase exporters’ profits, improve the trade balance, and increase state revenues. The daily argued that, while the devaluation may lead to higher inflation, its inflationary effects would likely not persist for long. In the last decade there has been an ongoing decrease in the real value of the local currency, Donya-ye Eqtesad said, making the decision of the Central Bank a correct and necessary one (Donya-ye Eqtesad, June 11).



On the other hand, opponents of the decision argued that the devaluation would further increase the inflation rate due to its effect on the prices of commodities imported to Iran. According to figures released by the Central Bank, Iran’s official inflation rate last month reached 21.2 percent. The continuing increase in inflation in recent months stems from the effects of the subsidy policy reform, launched by the government several months ago.

The conservative daily Jomhuri-ye Eslami warned about the inflationary effects of the sharp devaluation. The daily claimed that while the Central Bank’s decision may increase government revenues, strengthen the productive sector, and increase exports, it may also

result in yet another increase in inflation. Also according to the daily, the decision to devalue the Iranian currency has the public more and more concerned over the government's ability to guarantee the financial resources needed to continue paying the cash benefits under the subsidy policy reform. The daily called on the government to explain how it intends to curb the inflationary effects of the devaluation, and to provide explanations on its ability to continue transferring the cash benefits to the citizens of Iran (Jomhuri-ye Eslami, June 13).

Criticism of the decision to carry out a sharp devaluation was also voiced by businessmen who had formerly supported the devaluation of Iran's local currency. In a letter sent to Ahmadinejad this week, a group of industrialists warned that the sharp devaluation would lead to an increase in the prices of raw materials imported to Iran and severely impact the productive sector, already hit by the increase of energy prices as a result of the subsidy cuts (Tabnak, June 12). Asadollah Asgaroladi, who chairs the Confederation of Iran Exporters, also noted that the exporters supported a gradual devaluation of about 5 percent a year, warning that the sharp, sudden devaluation could cause damage to the exporters in the longer run (ISNA, June 12).

Turkey as model of Islamic success: Iranian media reacts to Erdoğan's victory

This week senior Iranian officials congratulated the Turkish government leaders for the Justice and Development Party's victory in the general elections held in Turkey this week. First Vice President Mohammad-Reza Rahimi congratulated Prime Minister Erdoğan for his victory, expressing his hope that the economic cooperation between the two countries would grow. Foreign Minister Ali-Akbar Salehi called his Turkish counterpart Ahmet Davutoğlu and also expressed his hope that the relations between the two countries would strengthen following his party's victory in the elections (IRNA, June 13).

In their coverage of the Turkish prime minister's victory in the elections held this week, the Iranian media focused on the achievements made by Erdoğan's government in the past eight years. By emphasizing his government's economic and political achievements, some of the media implicitly criticized President Ahmadinejad's policy.

Mehr News Agency listed the numerous achievements made by Erdoğan's government in the past years which led to his victory in the elections: improvement of Turkey's economic situation, increased growth in various spheres of the economy, improvement of living conditions in Turkey by bringing down inflation, increase of wages and reduction of foreign debt, increase of investments in Turkey, improvement of the employment situation, restriction of military involvement in political decision-making, and adoption of an active,

sustainable foreign policy that has increased Turkey's role in regional and international politics and created new opportunities for enhancing its ties with the world's countries (Mehr, June 12).

Tehran Emrouz, a daily affiliated with Mohammad Baqer Qalibaf, the mayor of Tehran and President Ahmadinejad's political opponent, also had praise for the achievements made by the Islamist government in Turkey in the past eight years. According to the daily, it was the achievements of the Justice and Development Party in the administration of state affairs—particularly economic growth, reduction of unemployment, improvement of the Turkish citizens' welfare and quality of life, and its proactive foreign policy—that allowed the party to secure majority support and win the elections (Tehran Emrouz, June 14).

The economic daily Donya-ye Eqtesad stressed the economic achievements of the Justice and Development Party, saying that when it won the 2002 elections no one could imagine it would remain in power and make such significant achievements. Contrary to predictions saying that the party would put an end to the policy of economic privatization followed until the beginning of the decade, it accelerated economic reforms and succeeded in strengthening Turkey' economic infrastructure, increasing growth, curbing inflation, and reducing unemployment. In implicit criticism of the policy followed by the government of Iran, the daily argued that the success of the Islamic party in Turkey was rooted in a combination of economic openness and political moderation, and in a synergy of interests and objectives (Donya-ye Eqtesad, June 14).

The coverage of the Turkish government's achievements by Mardom Salari, a daily affiliated with the traditional-conservative bloc, also offered some implicit criticism for the policy of Ahmadinejad's government. An editorial published by the daily said that, since coming to power, Erdoğan's party made unprecedented economic achievements and adopted an active diplomacy that cemented Turkey's status in the region. Erdoğan's success, the daily argued, lies in avoiding populism and adopting a correct economic and political policy that serves the people of his country in actions rather than words (Mardom Salari, June 14).

Pictures of the week: moral police patrols begin in Tehran

