



Spotlight on Iran



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Special edition: Iran's foreign currency crisis



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The collapse of the rial has been at the center of Iran's public and media discourse this week. The free-market rate of the Iranian currency dropped by nearly 40 percent this past week alone. The rial has lost a total of 125 percent in the past four months and nearly 250 percent since the beginning of 2011.

On Tuesday the dollar was trading at 36,500 against the rial. The dollar lost some ground due to intervention by Iran's Central Bank and was trading at 32,600 against the rial, only to climb back up to 35,500 rials after a press conference convened by President Ahmadinejad ended with no mention of any practical plan to bring the foreign currency market under control. The dollar declined on Thursday, October 4; according to various reports it was trading at 27,000 to 36,000 against the rial. The dollar's official exchange rate, which was set by the Central Bank on January 28, remains unchanged at 12,260 rials.

Authorities attempt to calm the market, step up enforcement on the "black market"

As the rial plummets in value, the leaders of Iran's economy have stepped up their efforts to calm public opinion. On Wednesday, October 3, the government discussed the developments on the foreign currency market. The government meeting was attended by the minister of economy, the minister of industry, and the governor of the Central Bank, who presented their proposals for calming the market. According to Iranian media reports, at the end of the meeting the president issued instructions on increasing control of the foreign currency market and allocating resources to the productive sector, although no specifics were provided (ISNA, October 3).

In an attempt to calm the public, Mehdi Ghazanfari, the minister of industry, commerce, and mines, gave an interview stating that the situation on the foreign currency market will likely stabilize soon with the growing activity of the new foreign currency center. Launched by the Central Bank on September 24, the center allows importers of vital goods to purchase foreign currency at 2 percent lower than its free-market rate. Ghazanfari noted that the center's activity is growing every day, and that there are 12 banks operating as part of the center as at the beginning of this week. According to Ghazanfari, the center's economic activity has reached a total of 250 million dollars, and it will soon start selling foreign currency to importers of lower-priority goods. It was the minister's assessment that the center's activity will have a gradual effect on the free-market rate of foreign currency. He stressed, however, that the issue of foreign

currency has political, security, and social aspects, which require the intervention of other elements—including the security apparatuses—to allow Iran's economic bodies to exercise their influence on the market. The minister also reported that agreements had been reached between foreign currency traders and the Central Bank on selling foreign currency at lower than free-market rates to students and people traveling abroad. He expressed his hope that these understandings will come into effect by the end of the week and answer some of the demands of the public (ISNA, October 2).



Mahmoud Bahmani, the governor of the Central Bank, also announced that the Iranian currency will move back up with the growing activity of the new foreign currency center, which, according to Bahmani, has increased by over 200 percent these past several days. Bahmani reported that the government intends to supply the center with foreign currency from its petrochemical profits and 14.5 percent of its oil revenues as part of the efforts to rein in the slide of the rial (Mehr, October 1).

Seyyed Shamsoldin Hosseini, the minister of economy, also joined the efforts to calm the public and called on the media to help the government ease the situation. Speaking at a press conference convened this week, the minister said that foreign Persian-language media exaggerate the severity of the crisis and noted that the government will soon resolve the economic problems (Fars, October 2).

At the same time, the authorities have stepped up enforcement efforts on the free (black) market. In the past several days a number of currency exchange booths were raided by internal security forces, who detained some of their owners. Gholam Hossein Mohseni Eje'i, a spokesman for the judiciary, stated earlier this week that the judiciary

will take strong action against black-market speculators. According to Eje'i, Iran's intelligence and security services requested the judiciary's permission to take serious measures against foreign currency traders who violate the law (Mehr, October 1).

Esma'il Ahmadi-Moqaddam, the chief of the internal security forces, reported this week that the security forces fully monitor the activities of foreign currency traders. At the end of a meeting with top clerics in the city of Qom, Ahmadi-Moqaddam said that the security forces have been charged with the intelligence mission of monitoring traders' activities, and that they are working alongside other security apparatuses in accordance with the instructions issued by top economic officials and the Central Bank (Mehr, October 2). On Wednesday, October 3, the chief of the internal security forces reported on the establishment of a central headquarters whose members include representatives from Iran's economic authorities and several police officers. The objectives of the headquarters are to monitor and investigate activities on the foreign currency market and take measures against "economic troublemakers" (Fars, October 3).

On Thursday, October 4, Tehran's prosecutor general reported that 16 people had been arrested on suspicions of involvement in disrupting activity on the foreign currency market. The announcement released by the prosecutor general said that the detainees are suspected of spreading rumors, conducting illicit foreign currency transactions, and smuggling foreign currency with the purpose of driving up the foreign currency exchange rate for personal profit and foreign interests (ISNA, October 4).

The Majles has also become increasingly involved in law enforcement activities among foreign currency traders. Seyyed Hossein Naqavi Hosseini, the spokesman of the Majles National Security and Foreign Policy Committee, reported that, in the beginning of next week, the committee will discuss developments on the foreign currency market and efforts made by lawbreakers to destabilize the market. Seyyed Mohammad Hossein Mir-Mohammadi, a member of the Economic Committee, reported that the Majles will soon vote on a bill giving the judiciary more power to monitor the foreign currency market, which will result in more intensive activities against speculators and those who stir disorder on the foreign exchange market (ISNA, October 2).



Yahya Al-e Eshaq, the head of Tehran's Chamber of Commerce, discussed the need for increased enforcement among economic offenders. He compared the economic situation to a war, saying that "a missile has landed on the foreign currency square". According to Al-e Eshaq, the country is at war and economic offenders who undermine national interests must stand trial in military courts, as is the custom in times of war (Alef, October 2).

As foreign currency traders come under increasing law enforcement scrutiny, the authorities have imposed restrictions on the release of information on foreign currency exchange rates by the media. ILNA News Agency reported that the authorities had blocked a number of websites that displayed foreign currency exchange rates, and that other websites stopped displaying the rates on their own initiative (ILNA, October 3).

Government's narrative: crisis the result of psychological factors, effects of sanctions, and speculators' activities

The rial's collapse has intensified the conflict between the government and its critics on who is to blame for the economic crisis. President Ahmadinejad and his top economic ministers once again rejected the arguments made against the government's economic policy, saying that the crisis has its source in psychological factors, the effects of the sanctions, and the activity of speculators on the black market—not in the government's policy.

Speaking at a special press conference he convened on Tuesday, October 2, President Ahmadinejad argued that the fluctuations on the foreign currency market are

the result of the psychological warfare waged by Iran's enemies and the effects of the economic sanctions, and that it is a temporary problem that has nothing to do with the government's policy. There is nothing new about the fluctuations on the foreign currency market, the president said, and they have existed for a long time. The collapse of the rial in recent days is not associated with economic problems because there have been no significant economic developments recently and the economic conditions have not changed. He noted that there is no economic justification for the rial's collapse, and that the Central Bank has sufficient foreign currency reserves for the needs of the country.



The president claimed that two elements are cooperating with each other to exert increasing pressure on the Iranian people: one external, the other internal. The enemies of the country are waging a covert, far-reaching, and tough war against the Iranian economy across the globe, while the government is working with the Central Bank to come up with strategies that will make it possible to contend with the effects of the sanctions and the oil embargo. Also according to the president, 22 Iranians had been recently identified as attempting to disrupt the foreign currency market. They will be dealt with by the security forces, Ahmadinejad said.

He rejected claims that the foreign currency injected by the Central Bank into the market is not sufficient for the needs of Iranians, saying that the Central Bank allows anyone who needs foreign currency for import, export, or traveling to obtain it. He rejected the accusations made against his government and said that this is not the time for settling political scores.

Speaking at a meeting with journalists, Economy Minister Seyyed Shamsoldin Hosseini also argued that there are no economic reasons for the current crisis on the foreign currency market. He put the blame on black market speculators, saying that the growth of economic activity in the new foreign currency center will soon lead to their collapse. He called on Iranians to stand firm in the psychological warfare waged against Iran and avoid investing money in foreign currency or taking it outside of Iran (Fars, October 2).

Government critics' narrative: crisis the result of government's failed economic policy and mismanagement

Contrary to the claims made by the president and top government officials that the foreign currency crisis has nothing to do with the government's economic performance, most economic experts and media have argued that the crisis stems from the government's faulty economic policy and mismanagement.

Most commentators said that the government's unprecedented injections of liquidity into the Iranian economy in recent years are the main factor to blame for the crisis. Fararu, a website affiliated with government critics in the conservative bloc, held a series of interviews this week with top economic commentators who discussed the severe crisis on the foreign currency market. The vast majority of the commentators blamed the crisis mostly on government policy and economic mismanagement; however, they also noted the harmful effect of the sanctions on Iran's economic situation.

Dr. Mas'oud Roghani Zanjani, the former chairman of the Budget and Planning Organization, blamed the crisis on three main factors: mismanagement, faulty government policy, and the sanctions, which hit Iran's economic ties with world countries. He noted that, in order to contend with the crisis, the government needs to change its policy on foreign currency, top officials need to refrain from raising public concern by making political statements on internal and foreign policy, and monetary discipline needs to be maintained. This includes ending the practice of having more than one exchange rate at the same time, Zanjani said.

Dr. Mohammad Tabibian, who served as deputy chairman of the Budget and Planning Organization during Ali Akbar Hashemi Rafsanjani's presidential term, argued that the crisis is the result of the government's pouring in huge amounts of money into the

markets—including the cash benefits paid as part of the subsidy policy reform—and the effect of the international sanctions. He noted that what the current crisis requires is not an economic but a political solution that will involve changing government policy (Fararu, October 2).

Top economist Dr. Sa'id Laylaz also said that the foreign currency crisis requires a political solution. He accused the government of failing to make necessary preparations for the economic crisis which predictably followed the economic sanctions. For Iran to continue with its nuclear program, it had to prepare properly for the sanctions and take such measures as restricting import and increasing the government's monetary discipline. According to Laylaz, the crisis is rooted in the fact that the government refrained from implementing the multi-year development programs approved by the Supreme Leader, which took into account various scenarios of decline in foreign currency revenues caused by a drop in the country's revenues from petroleum exports. The rise in the dollar's exchange rate and the reduction of imports could have strengthened the productive sector; however, this was made impossible by political instability and the government's policy.

Instead of cutting back on its expenses, the government did just the opposite and was forced to sell dollars to the Central Bank to make up for the budget deficit it found itself in. Laylaz said that the government has no economic management plan for the current crisis, and that it talks about the need for an "economy of resistance" without putting its principles into practice. With conditions being as they are, it is inappropriate for the government to sell foreign currency at official exchange rates to Iranians going on non-vital trips abroad. This policy has the result that people who take first-class flights abroad are in fact subsidized by the government. In the current situation, the government needs to guarantee the import of only basic foodstuffs and fundamental public health supplies, while all other matters should be handled as though a state of emergency has been declared (Fararu, October 3).

Economist Rahim Dalali Esfahani of Esfahan University also argued that the current crisis could not have been the result of the sanctions alone, and that it was mismanagement and insufficient efforts against dubious elements operating on the market that led to the sudden devaluation of Iran's currency. Esfahani spoke on the need to increase public awareness of the activities conducted by certain banks and speculators intent on disrupting the foreign currency market using their connections with elements inside and outside of Iran (Fars, October 3).

“Mr. President, how many thousands of tomans does the dollar have to reach for you to resolve the matter?”

In recent days most media outlets in Iran strongly criticized the government, accusing it of direct responsibility for the foreign currency crisis. Alef, a website affiliated with Majles member Ahmad Tavakoli, one of the president’s major opponents in the conservative camp, said that while the government is ignoring the main factors behind the crisis and blames it on outside pressure, sanctions, “unseen hands”, and foreign currency traders, it is perfectly clear that the main reason for the collapse of the rial is the massive injection of funds into the market. In recent years the government has poured huge sums of money into the market, and considering the economic conditions and the government’s policy, which hit the productive sector, many have preferred to invest their money in foreign currency to preserve its value. There is no denying that psychological factors have made the crisis worse, Alef said, but even in their absence the injections of liquidity would have been enough to trigger the crisis.

A commentary article published by the website said that the proposal made by some Majles members to ban the trade of foreign currency on the free market is unrealistic. The establishment of the new foreign currency center does not provide an adequate short-term solution, while the enforcement efforts against foreign currency traders will only make things worse, because they are a manifestation of the government’s inability to deal with the situation by injecting foreign currency into the market. The only way to solve the problem, Alef said, is to restore public trust in the government’s economic policy. As long as the public does not trust the top officials, the market will not calm down. For the government to calm the market, it has to tell the public the truth, apologize for its incorrect economic policy, and formulate a new economic strategy—one that is not based on such slogans as “Pouring funds into citizens’ pockets”. It is only once public trust has been restored that the rush for foreign currency will stop (Alef, October 3).



Fars News Agency, too, strongly criticized the president and the government for not taking the required measures to end the crisis. In an editorial titled “Mr. President, how many thousands of tomans does the dollar have to reach for you to resolve the matter?”, Fars’s economy editor said that, when the dollar had reached a record 1,250 tomans last year, the president said that the government had no problems with foreign currency reserves and that the dollar should not be trading at more than 900 tomans. Nevertheless, within a year the dollar soared to levels that no one had imagined. The sharp increase of the dollar has had a severe impact on Iranians’ buying power due to its effect on the prices of goods.

In these conditions, the question that needs to be asked of Iran’s top economic officials—particularly the president—is what level the dollar has to reach for them to break their silence and provide a solution. According to Fars, recent developments lend further credence to estimates according to which there are factions in the government that have adopted—whether deliberately or not—a faulty policy intended to influence the foreign currency market. The news agency criticized the president for not making proper use of economists and experts to manage economic affairs in recent years. The president has to intervene in the crisis and put a stop to the wrong economic policy pursued by some government apparatuses, and thus prevent the enemies of Iran from taking advantage of the current conditions for their own benefit. If top government officials were honest about the situation with the citizens, the Iranian people, who already had to deal with extreme difficulties during the Iran-Iraq War and on other occasions, would understand that they need to show responsibility. They would not be rushing to the foreign currency market—instead, they would give preference to local

products that are not that affected by the dollar's exchange rate and thus help the economy and the job situation (Fars, October 2).

Hossein Shariatmadari, the editor-in-chief of the daily Keyhan, also criticized the government's performance in the crisis. He wondered why Iran's intelligence and security services are not taking action against economic offenders, and whether this has to do with the fact that some top officials consider the foreign currency developments to be a natural phenomenon. Shariatmadari took issue with top officials in the Ministry of Economy, Ministry of Industry, and the Central Bank for remaining silent over the developments. Why won't they explain how they earmarked tens of billions of dollars for importing products that never made it to Iranian markets? Why won't they return the dollars allocated for that purpose? The ministers of economy and industry are claiming that the foreign currency market isn't their responsibility, the governor of the Central Bank isn't using his powers to deal with funds transferred to the various banks, customs officials won't explain how is it that goods are flowing in and out of the country without any supervision, and the Majles members are on vacation. Dealing with the developments on the foreign currency market is relatively simple considering the capabilities of the Islamic republic, Shariatmadari concluded, and it is unclear why the economy leaders are leaving the foreign currency market in the hands of the "mafia" (Keyhan, October 2).

Farda, a website affiliated with the pragmatic conservative faction, said that the cause for concern is not only the growing difference between the various exchange rates (the official rate, the free market rate, and the rate in the new foreign currency center), but also between provinces and cities. Having different rates in different parts of Iran will further destabilize the market and allow those with vested interests to exploit this divergence for maximum profit. Foreign currency traders will purchase it in one place to sell it in another, which will exacerbate market fluctuations. The government has the responsibility to set a single exchange rate and deal with the economic problems that have led the public to purchase foreign currency as a result of the government's faulty policy (Farda, October 2).

It came as no surprise that the criticism against the government was also taken up by Majles members, who accused the government of responsibility for the current crisis. The criticism was led by Majles Speaker Ali Larijani, who said that 80 percent of Iran's economic problems, including inflation and the collapse of the rial, are the result of mismanagement, and that only 20 percent of the problems have to do with the

sanctions. He said that every problem can be solved if its causes are properly understood and removed. He accused the government of adopting economically inefficient “Robin Hood” tactics in recent years and injecting large amounts of money into the economy, which were not intended for the productive sector and aggravated the inflation and foreign currency crisis (Farda, October 2).

Majles Deputy Speaker Mohammad-Reza Bahonar also blamed the foreign currency crisis on faulty government policy. While he rejected claims that the government had brought up the exchange rate on purpose to increase its revenues and thus reduce its budget deficit, he argued that the government and the Central Bank had not poured enough foreign currency into the markets in recent weeks, creating unfulfilled public demand for foreign currency. Contrary to recommendations by Majles members, the government disregarded Iran’s foreign currency needs and did not make the issue a top priority, which was what led to the sharp increase in the dollar’s exchange rate (Mehr, October 2).

Nation’s dignity lies not only in nuclear energy but also in currency value

In addition to issuing warnings about the severe economic consequences of the foreign currency crisis, the media also discussed its effects on the national dignity of Iranians. A commentary article published by the Khabar Online website said that there is more to the revival of national dignity and defense of the revolution’s principles and values than chanting revolutionary slogans and challenging the world order. Maintaining the value of Iran’s national currency is also one of the values of the revolution and the regime—one that the government is required to protect.

Just as nuclear energy and uranium enrichment are the legitimate right of Iranians, maintaining the value of the national currency is a manifestation of national dignity and stability. There is no question that some of the economic problems stem from the sanctions and the economic warfare waged by Iran’s enemies against it, but it is impossible to ignore mismanagement, unprofessional and wrong decisions, and the settling of political scores. Iranians expect the government, which claims to protect the values of the revolution, to also protect the value of the national currency and put an end to the current crisis (Khabar Online, October 2).

The Asr-e Iran website, too, discussed the damage done to Iranians' national dignity as a result of the rial's collapse. How will Iranian pilgrims going to the holy sites in Saudi Arabia feel now that one Saudi rial is worth 10,000 Iranian rials? Isn't the collapse of the national currency an affront to the national pride of the Iranian people? Isn't it embarrassing that the value of the Iranian currency is lower than that of a Kuwaiti dinar, a Turkish lira, or the Afghan afghani? The government needs to understand that the value of the national currency is not just an economic but also a national matter, the website said (Asr-e Iran, October 2).

Iran's official broadcasting authority also came under a barrage of criticism. The daily Mardom Salari, in its article titled "Mr. Zarghami [Iran Broadcasting chairman], have you heard anything about an exchange rate of one dollar to 3,000 tomans?", took issue with the fact that in recent days the Iranian television preferred reporting on demonstrations in Spain and Greece, American companies going bankrupt, and the worsening economic situation in Britain. Iran Broadcasting believes that, by providing coverage on unemployment and price increases in other countries, it can divert public opinion from what is happening in Iran or prove that the economic situation in the country is the result of global recession. This is an incorrect policy which causes anxiety among Iranians and makes them give preference to satellite networks (Mardom Salari, October 3).

"Mr. Ahmadinejad, are you the president of the country?"

Criticism of the president over the foreign currency crisis became even more intense after his controversial remarks at a press conference he convened on Tuesday, October 2. A number of Majles members reacted strongly to the president's statement and even reintroduced the initiative to summon Ahmadinejad to a hearing before the Majles. Majles member Behrouz Na'mati argued that the president is the head of the executive branch and cannot place responsibility on other bodies, media, and security apparatuses whenever the government's performance is found to be lacking. The president is always looking for others to blame for the policy of his own government. The president did not present any practical plan for solving the economic problems and spent the entire three-hour interview threatening others.

Seyyed Baqer Hosseini, a member of the Majles Foreign Policy and National Security Committee, said that, in such conditions, it would be best for incompetent directors to

resign. He accused the government of not taking the country's problems seriously and argued that the economic problems are the result of mismanagement rather than sanctions. Iran's economic situation stems from the weakness of the government, and the incompetent directors should have resigned instead of putting the blame on others (Khaneh-ye Mellat, www.icana.ir, October 2).

The president's remarks also drew strong reactions from the Iranian media. In an editorial titled "Mr. Ahmadinejad, are you the president of the country?", the daily Khorasan said that the president had reiterated his previous statements instead of presenting a new plan to bring the foreign currency market under control. Given the instability on the foreign currency market, many expected that the president's press conference would be an opportunity for him to explain the government's foreign currency policy and announce new strategies and practical plans to ease the situation. The president seems to be forgetting the important fact that he is president. He did not present any new plan to solve the existing situation. Instead, he simply repeated statements he had made in the past. When the people see the government rehashing its promises instead of presenting plans intended to restore public trust, they believe, whether rightly or not, that the government wants to raise the dollar's exchange rate and that it is single-handedly responsible for the situation. The president can't turn a press conference which so many had hopes for into an opportunity to attack others and ignore his own responsibility to present his government's plans, the daily concluded (Khorasan, October 3).



Rooz Online, October 3

The Tabnak website, too, condemned the president, saying that just as he had faced the media and courageously discussed various issues, like the sanctions and their effects, it would have been better had he not evaded his responsibility for various economic issues, including the part he played in the crisis by incorrectly implementing the subsidy policy reform, distributing funds to the public instead of supporting production, and stepping up pressure on the productive sector and on industrialists (Tabnak, October 3).

Many Iranians posted angry comments about President Ahmadinejad's press conference. "Is our dear government completely unable to deal with the external enemy and those inside Iran with vested interests?" a web surfer wondered. Other comments posted by news website readers included: "We don't want to hear any more lies", "Things won't change as long as you keep blaming our enemies for the problems", "We saw the dollar's exchange rate drop before Ahmadinejad's speech, but when it turned out that the government had no plan to intervene in the foreign currency market, we saw it rise again... you would have done best not to give the interview", "Mr. President, if 22 people are playing with the lives of 75 million citizens, why don't you catch them?", "Talk, talk, talk, but no action".

Reactions among Iranian public: from online comments to violent clashes

The crisis on the foreign currency market drew many reactions from web surfers, who commented on the developments in news websites, social networks, and blogs. The web surfers expressed their frustration with the situation, looked for individuals to blame, and suggested possible solutions.

"Our money bills are worth no more than a piece of paper", complained one web surfer, while another regretfully commented that the value of Iran's currency is lower than even that of Afghanistan and other nearby countries, which don't have Iran's resources and natural wealth. "This coming Thursday there will be funeral ceremonies for the rial in all the cities", said a bitterly cynical comment by yet another web surfer.

The vast majority of Iranians who posted their comments on news websites (mostly Tabnak and Alef) accused the president and his government's policy of responsibility for the crisis. "With such leaders, we don't need enemies", said one web surfer. "Those in charge don't have time... they are busy blocking Google in response to the anti-

Muslim video”, commented another. A number of web surfers said that the government had deliberately brought up the dollar’s exchange rate to increase its revenues ahead of the coming presidential elections. Many web surfers called for the president’s impeachment. One of them said that Ahmadinejad’s policy is no less severe than that pursued by former president Bani Sadr, impeached in 1981. A web surfer argued that the current government did more damage to Iran’s economy than the eight-year war with Iraq.

In terms of how badly they have performed, the government’s politicians and economic decision-makers are second only to the president of Zimbabwe, a web surfer commented. Another said that if any European president tampered like this with the currency of his country, he would find himself in prison. In response, another web surfer said that if this happened in Japan, he would perform hara-kiri.



The web surfers’ criticism was also targeted at the governor of the Central Bank, the top economic ministers, and Majles members, who are not doing enough to solve the problem. “The silence of the Majles is a betrayal of the nation”, one of the web surfers said.

A number of web surfers blamed the crisis on the United States and the sanctions. The cause of the economic situation is not government policy, a web surfer said, but rather the sanctions imposed on Iran by the “global arrogance”. He stressed that the sanctions will not break the Iranian people and said that the government should be supported, not criticized. On the other hand, another web surfer argued that the

sanctions have nothing to do with the crisis, which was brought on by the conduct of foreign currency traders. They were referred to by another web surfer as the “Ferdowsi Street mafia”.

Foreign currency traders were criticized by other web surfers, one of whom said that the foreign currency market is held hostage by 100 speculators who control it and try to make a profit. For every dollar purchased from these traders, the Iranian man said, their sons buy a luxury car and their daughters buy gold. Every time a dollar is bought, several hundred people become billionaires and 75 million Iranians become even poorer.



Some web surfers did not just voice criticism but also proposed solutions to the crisis. One of them called on importers to refuse to import goods at 2,700 rials per dollar in order to force the government into lowering the exchange rate. Another web surfer suggested injecting two billion dollars into the market to hit traders and speculators, who have no mercy for the weaker segments of society, and solve the problem “in two hours”. A number of Iranians proposed political solutions to the crisis. One of them suggested forming a new government headed by former president Rafsanjani and entrusting him with absolute power. Others expressed hope for an intervention by Supreme Leader Ali Khamenei, saying he is the only one who can help the people. A web surfer said that only Khamenei can make things right thanks to his wisdom, and was told in response not to expect much from the Supreme Leader.



The crisis on the foreign currency market also drew reactions from bloggers in and outside of Iran. A blogger residing in another country said that while government officials accuse the mafia which operates in Iran of responsibility for the devaluation of the rial, Majles members accuse the president of being involved in the crisis, and the Supreme Leader remains silent. The blogger wondered whether in a country with so many unemployed workers—many of whom protest over delayed salaries—and where poverty is growing, the foreign currency crisis can be expected to lead to a national disaster, followed by a social explosion and culminating in the fall of the regime. He mentioned that the dissolution of the U.S.S.R. had also started with the collapse of its national currency (<http://azarakan.blogspot.ca/2012/10/blog-post.html>).

Another blogger expressed his hope that the foreign currency crisis will be resolved soon, because if the situation continues, it will be a severe blow to Iranian society. Those in charge give no importance to the people unless it's election time, the blogger wrote. The Iranians themselves are indifferent and have no ability to change their fate, and there is no real opposition to voice its opinion. The people no longer have trust in any opposition. Iran is headed into dark times and may even find itself facing a total collapse (http://darazarehbin.blogspot.ca/2012/10/blog-post_1.html).

The collapse of the rial has sparked the first noticeable signs of economically motivated public protest. Earlier this week a group of students demonstrated outside the Majles building to protest the Central Bank's refusal to sell dollars at a lower exchange rate to students who study abroad. ILNA News Agency reported that the Ministry of Science and Higher Education had promised Iranian students who study abroad that they would

be permitted to purchase dollars at the official, lower exchange rate in local banks for a payment of 20,000 tomans. The students were disappointed after being informed by the Central Bank that only those who qualify for a scholarship would be able to purchase foreign currency at convenient rates (ILNA, October 1). On Tuesday, October 2, Science Minister Kamran Daneshjou promised to solve the students' foreign currency problems within two weeks. Speaking at a press conference, the minister said that the deputy minister and top economic officials had met to discuss possible ways to promptly solve the problem faced by the students (Mehr, October 2).

Bazaar riots: merchants or hooligans?

The most dramatic sign so far of the public protest over the economic crisis was the violent clashes that broke out between demonstrators and internal security forces in and around Tehran's bazaar on Wednesday, October 3. As merchants in the bazaar closed their shops, violent clashes broke out between security forces and demonstrators protesting the economic situation, the collapse of the rial, and the government's inability to reign in the price increases. The demonstrators chanted slogans against the government, the president, and even the regime. During the incident, garbage cans were set on fire and a number of banks, gas stations, and bus stops were attacked. The Voice of the Revolution (Neda-ye Enghelab) website reported that 150 people had been detained. Smaller-scale riots were reported in the bazaar area of the city of Mashhad by websites affiliated with the reformist opposition.



www.peykeiran.com, October 3

Shortly after the riots, the leadership of the Tehran bazaar merchants denounced the violence, saying that merchants had not been involved in the violent incidents in the bazaar area. Ahmad Karimi Esfahani, the secretary of Tehran's Islamic Merchants Association, argued that the merchants had been forced to close their shops for their own safety after receiving text messages on the night of Tuesday, October 2, containing threats and warnings about forthcoming violations of public order in the bazaar. An announcement released by the heads of the Merchants Association on Wednesday night strongly condemned those responsible for the riots and argued that it had been an attempt by the Monafeghin (a derogatory term used to refer to the Mojahedeen-e Khalq organization) and elements affiliated with the enemies of Islam to spread fear among the merchants in order to disrupt and shut down the market. Those responsible for the riots need to know that they have been identified and that the authorities will take the necessary measures against them. In the announcement, the merchants stressed that, despite criticizing the economic performance of the government and the president, they will protect the regime and the state to their last drop of blood and will prevent Iran's enemies from achieving their objectives (Mehr, October 3). On Thursday most bazaar shops were back to normal. The Iranian media was quick to condemn the incident in Tehran, saying that it had not been an act of protest by merchants but rather the work of law-breaking "hooligans and troublemakers". The daily Keyhan said that, judging by the characteristics of the events in Tehran, it is clear that they were part of the project organized by the United States and the "Zionist regime" against Iran. Authorities in Israel and the United States recently published several statements on the effect of the sanctions on Iran's internal situation, and at the same time, elements inside Iran working with those countries attempted to disrupt the bazaar by spreading rumors and intimidation. The text messages sent to the bazaar merchants one day before the events and the calls heard during the riots against the "resistance front" in Syria are proof that the riots were prepared in advance in concert with the United States and Israel and in accordance with their positions (Keyhan, October 4).

Baztab, a website affiliated with government critics in the pragmatic conservative bloc and one of the first to report the riots in Tehran, said that they were "suspect". The riots were organized in advance and most demonstrators were not even merchants, the website said (Baztab, October 3).

In response to the bazaar riots, the Alef website said that a line should be drawn between the violent activity of rioters who disrupt public order and break the law, and

the peaceful protest of the merchants, whose livelihood is being hit by the crisis on the foreign currency market and whose rightful demands deserve to be addressed by the government (Alef, October 5).

On the night of Wednesday, October 3, there were calls on social networks and a number of blogs affiliated with the reformist opposition to continue the protests and demonstrations throughout the coming days. Despite the calls, the protests did not continue.

Supreme Leader keeps silent and (for now) remains defiant on nuclear policy

Supreme Leader Ali Khamenei has so far avoided directly commenting on the foreign currency crisis. In a speech given at a youth convention held in Tehran this week, Khamenei did not explicitly discuss the crisis; he did stress, however, that the Iranian people will never yield to pressure. He noted that even though Iran has been facing political, security, military, and economic pressure for 33 years, the pressure was not only thwarted by the firm stand of the Iranian people but also made them stronger. According to Khamenei, the pressure on Iran is intended to force the country into submission, but the Iranian people never have and never will bow down to pressure (Fars, October 3).

The conservative daily Javan said that Iran won't go back to the negotiating table even if the dollar's exchange rate will reach 50,000 rials. An editorial published by the daily said that the developments on the foreign currency market are unnatural, and that some commentators argue that there is a link between on one hand the devaluation of the rial and on the other the attempt of elements in Iran to establish relations with the United States and the efforts made by the West to bring Iran back to the negotiating table.

How is it possible, Javan asked, that such an advanced country as Iran, which ranks in the world's top 10 countries in terms of scientific progress and has a well-developed military and significant achievements in so many areas, is witness to such wild fluctuations in foreign currency exchange rates? These fluctuations are apparently the work of those who seek to exert political pressure and realize their interests. It is the weaker sectors of society, which have been hit by the destabilization of the foreign currency market, that have supported the regime's policy for the past three decades,

and they will not let foreign currency fluctuations lead to decisions that go against the values of the revolution, the website concluded (Javan, October 2).

Meanwhile, the “poisoned chalice” discourse continues, focusing on the agreement of Islamic revolution founder Ruhollah Khomeini to accept the ceasefire with Iraq in 1988. This week the Supreme Leader’s official website published an article written by Ayatollah Mehdiaddin Ha’eri Shirazi, a member of the Assembly of Experts. In the article, which discussed the duty of obeying the Supreme Leader, the top cleric compared Khomeini’s decision to “drink from the poisoned chalice” at the end of the Iran-Iraq War to the decision made by Hassan, the second Shi’ite imam, to hand the caliphate over to the Umayyad ruler Muawiyah.

According to Shirazi, Khomeini’s acceptance of the ceasefire did not stem from the pressure exerted on him by the enemies of Iran. His agreement to drink from the poisoned chalice was, in fact, a test of the Iranian nation’s loyalty to Supreme Leader Khomeini. Speaking about the Iranian nuclear policy, Shirazi said that it is a mistake to believe, as some do, that if Iran will suspend the enrichment of uranium, it will prevent its enemies from using the nuclear issue as a pretext against Iran. The nuclear issue is just the ostensible reason for the hostile approach of the United States and Israel towards Iran. The more one compromises, the more demanding the enemy becomes, and the stronger one stands in the face of the enemy, the lesser are the enemy’s aspirations (www.khamenei.ir, October 3).

