



IRAN DEMOCRACY MONITOR

The American Foreign Policy Council's Review of
Radicalism and Reform in Islamic Republic of Iran

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Related Categories: Energy Security; International Economics and Trade; Military Innovation; Iran; Iraq

BACK TO IRAQ

After several weeks of comparative decline, attacks against American troops by Iranian-linked bombs are again on the rise. "EFPs have gone up, actually, over the last 10 days by a factor of two or three," General David Petraeus, the top U.S. commander in Iraq, told reporters in mid-January. The announcement appears to contradict recent claims, put forth by a number of scholars and analysts, that the Iranian regime had adopted a new, less confrontational posture toward Coalition operations on the territory of the former Ba'athist state. (CNN, January 12, 2008)

NEGOTIATING WITH THE PASDARAN

Are Coalition forces holding secret talks with Iran's clerical army? That, at least, is the claim being made by one of England's leading newspapers. Citing Iraqi government sources, London's *Sunday Times* reports that Major-General Ali Jafari, the head of Iran's *Pasdaran*, made a secret visit to Baghdad's "Green Zone" in late December to hold consultations with U.S. officials over future bilateral negotiations dealing with Iraqi security. He did so, the paper points out, despite the fact that the *Pasdaran* was designated as a foreign terrorist organization by the Bush administration last year. (London *Sunday Times*, January 13, 2008)

IRAN'S AILING ECONOMY

A comprehensive new diagnosis of Iran's troubled economy has painted a bleak picture of President Ahmadinejad's fiscal stewardship. According to the report, published in January's *Middle East Economic Survey*, Ahmadinejad has implemented an array of destructive policies – such as arbitrary wage and benefit increases, cash infusions to politically popular but unproductive investments, and the imposition of unnaturally low interest rates on Iranian banks – since taking power two-and-a-half years ago. The effect of this dysfunctional package of "reforms" has been predictable: inflation has now officially surpassed 15 percent and by some estimates will eclipse 20 percent this year.

Simultaneously, the study says, Iran's economy appears to have fallen victim to "Dutch Disease," a famous affliction where booming exports can lead to rapid currency appreciation. The rising value of the Iranian rial is making foreign goods cheaper and more competitive, crippling domestic industries and leading to job cuts and bankruptcy for some domestic producers. Ahmadinejad, the report concludes, needs to shed the Iranian government's current "ideological mindset" in favor of new, fiscally sound economic policies. (*Middle East Economic Survey*, January 7, 2008)

TEHRAN TAKES AN ENERGY HIT

A commercial dispute between Iran and one of its main energy suppliers has wreaked havoc on the Iranian energy sector in the heart of winter. In early January, the Central Asian republic of Turkmenistan abruptly ceased regular supplies of natural gas to the Islamic Republic, citing routine maintenance work on the pipeline stretching between the two countries. But observers say that the reasons for the cut-off have to do with an ongoing dispute between Tehran and Ashgabat over the price for those deliveries, which Turkmenistan is seeking to raise considerably.

The cut-off, in turn, has forced Iran to scale back its own exports to its foreign clients, with officials explaining that such deliveries are on hold until "domestic demands" are met. Now, Tehran is threatening legal retaliation. "We have issued the required ultimatum and demanded them to resume gas supplies according to the content of the contract on gas imports from Turkmenistan," an unnamed diplomatic source has told one Iranian news agency. If Turkmenistan does not comply, the diplomat warned, then Tehran is prepared to take the former Soviet republic to the International Court of Justice for its breach of an existing energy contract. (Tehran Fars, January 13 and 22, 2008; *Radio Free Europe*, January 18, 2008)