



AZADI MONUMENT, TEHRAN

Western capitals plan new sanctions, but how will Tehran react?

It is now an open secret that a new round of anti-Iran sanctions is being planned in Western capitals. The US Congress has passed a law sanctioning the Central Bank of Iran (CBI), and there is also talk about a potential embargo on Iran's crude oil exports.

Evidently, in the absence of a breakthrough in nuclear negotiations it was expected that the sanctions regime would continue until Tehran was compelled to return to the negotiating table. At the same time, there is concern that a failure of the sanctions regime could pave the way for a military confrontation between the United States and Iran.

Many analysts see the talk about military

confrontation as an ingredient in the psychological warfare by Israel and the United States. Nonetheless, the current push for 'crippling sanctions' will escalate tensions at a time when both Iran and the United States are in election cycles, with attendant rhetorical attacks on one another other.

There is no doubt that limitations on the purchase of Iranian crude would have an impact on world markets and the price of oil. Iran exports some 2.2 million b/d of crude oil, approximately 900,000 b/d of it to the European Union. Iran's response to sanction would be to shift that volume to Asian and Muslim nations.

As long as a crude oil sanction is not approved by the UN Security Council, it can be

implemented only by volunteer countries. Russia and China have already made it clear that they won't participate, and that refusal would pave the way for other countries to maintain their business ties with Iran.

In other words, Iran will face not an embargo but limited sanctions whose impact it can potentially mitigate.

In addition to shifting oil export routes, Iranian authorities would have to find ways to circumvent new sanctions on the **Central Bank of Iran (CBI)**. In the past few years, Tehran has signed central banking agreements with a number of trading partners to facilitate trade in local currencies, avoiding transactions based on the US

dollar and the euro. Sanctions against the CBI would close this route in countries that went along with the United States and the European Union (probably Japan, South Korea, and so forth).

It remains to be seen how Tehran will manage the challenges and whether it will try to circumvent sanctions through third countries and growing cooperation with Asian countries.

Essentially, despite the huge cost, the country's long-standing merchant culture has empowered its government and business to circumvent sanctions. In some cases, Iranian businesses have resorted to barter to avoid financial transactions. >>>

Commentary	Month in review 2	Special feature 4	Oil & gas 6	Economy & business 10	Iran diary 12
<ul style="list-style-type: none"> > Western capitals plan new sanctions 	<ul style="list-style-type: none"> > International affairs: British embassy stormed > Domestic issues: Majles to question Ahmadinejad > Nuclear news: Relocating enrichment plants > Key risks and signs 	<ul style="list-style-type: none"> > A picture of the Iranian economy 	<ul style="list-style-type: none"> > Oil sector news > Gas sector news > Upstream project update 	<ul style="list-style-type: none"> > Economic reports > Inflation rate conundrum > Foreign companies > Tax reform > Majles evaluates subsidy performance > Sanctions and trade 	<ul style="list-style-type: none"> > Economic reports > Inflation rate conundrum > Foreign companies > Tax reform > Majles evaluates subsidy performance > Sanctions and trade

Menas Associates

Iran Strategic Focus is published monthly
Sold by subscription only
Produced by Menas Associates staff

Managing Director: Charles Gurdon
Production Editor: Blakeley Words+Pictures

ISSN 1751-4614
© 2011 All rights reserved

Menas Associates Ltd
Suite 8, 4 Bloomsbury Square
London
WC1A 2RP
United Kingdom

+44 0203 397 4311

info@menas.co.uk
www.menas.co.uk

Copyright

All information contained in this publication is copyrighted in the name of Menas Associates Ltd and as such no part of this publication may be reproduced, repackaged, redistributed, resold in whole or in any part, or used in any form or any means graphic, electronic or mechanical, including photocopying, recording, taping, or by information storage or retrieval, or by any other means, without the express written consent of the publisher.

Disclaimer

Menas Associates Ltd cannot ensure against or be held responsible for inaccuracies. To the full extent permissible by law Menas Associates Ltd shall have no liability for any damage or loss (including, without limitation, financial loss, loss of profits, loss of business or any indirect or consequential loss), however it arises, resulting from the use of any material appearing in this publication or from any action or decision taken as a result of using the publication.

The central question remains what cost Iran is willing to accept before it decides to adopt a new policy on its external relations. There is no doubt that Tehran does not wish to enter future negotiations from a position of weakness and will resist further sanctions as long as possible.

In the process of decision making, Tehran's mainstream political forces will try to avoid further escalation. This may explain why Iranian officials have underlined that a closure of the Strait of Hormuz would not be on the agenda. Nonetheless, sanctions policies have empowered hard-line factions in the country and they may push for retaliatory actions.

For the time being, the guiding principle in Tehran is 'wait and see.' Tehran knows that various strategic parameters, especially the US withdrawal from Iraq and financial crisis in the European Union will eventually alter the West's strategic approach.

On the other side, Washington and Brussels believe that increased pressure will change Iran's strategic calculations and compel it to compromise. Analysts describe the situation as a game of pressure versus endurance, with occasional outbursts such as the recent hiccup in Iran-UK relations.



WILL WASHINGTON'S PRESSURE CHANGE IRAN'S CALCULATIONS?

In the meantime, Tehran will keep the door open to new opportunities for dialogue, though any initiatives will be very difficult. In line with this approach, on 20 December, Tehran officially invited the IAEA to visit Iran for talks and stated that it would be ready to discuss concerns about its nuclear ambitions.

Despite such initiatives, in the short term Iran and the United States will be driven by their respective election cycles (upcoming Majles elections on 2 March 2012 and the US presidential election in November 2012). Tehran's behaviour will depend very much on the outcome of both and the composition of power that results.

MONTH IN REVIEW

International affairs

Iran-EU

British embassy stormed

Demonstrators stormed British diplomatic sites in Tehran on 29 November, burning an embassy vehicle and throwing documents from windows. In return, on 30 November Britain ordered all Iranian diplomats out of the UK within 48 hours and shuttered its embassy in Tehran, in a significant escalation of tensions between Iran and the West.

The Iranian Foreign Ministry issued a statement on 29 November expressing deep regret over the affair in Tehran.

Majles to review Iran-EU relations

Majles speaker **Ali Larijani** stated on 22 November that Iran would revise its relations with the European Union in response to its 'unprofessional' and 'politically motivated' approach toward Iran's nuclear programme.

Iran-US

Iran nets US spies

Iran claims it has captured 12 CIA spies >>>

9th Annual



Middle East Trade & Export Finance Conference

February 14-15, 2012 • Dubai, United Arab Emirates • Jumeirah Emirates Towers



For more information please visit www.exportagroup.com
or contact Grant Naughton at gnaughton@exportagroup.com

15% discount
code: **DUB4P**

while US officials acknowledge its spy network in Iran has suffered a setback. Iran has also arrested a spy who had links with the CIA, the Intelligence Ministry said in a statement released on 11 December.

Iran blocks virtual US embassy

Barely 24 hours after its debut, the US 'virtual embassy' in Iran was blocked from view inside the country.

Iran captures US drone

On 4 December domestic media reported that an unmanned stealth version of the US RQ-170 drone was captured by anti-aircraft units somewhere in the sky over Kashmar in eastern Iran. Video footage of the captured drone broadcast on 10 December seemed to show that the drone was largely intact.

Iran-UN

The UN General Assembly's human rights committee adopted a resolution on 21 November condemning the situation in Iran.

Iran-Arab countries

Moslehi travels to Riyadh

Intelligence Minister **Heydar Moslehi** made a rare visit to Riyadh on 12 December. According to Foreign Ministry spokesperson **Ramin Mehmanparast**, Moslehi made the trip in order to refute US claims that Tehran planned to kill the Saudi ambassador to Washington.

No Iranian involvement in Bahrain protests

There is no evidence of Iranian links to Bahrain's Shi'a-led protests, stated the head of a special commission that investigated

Bahrain's unrest, **Mahmoud Cherif Bassiouni**, on 23 November. This was a clear rebuke to Gulf leaders who accuse Tehran of playing a role in the 10-month-old uprising.

Iran denies contacting Syrian opposition

The Iranian embassy in Damascus issued a 14 December statement dismissing news reports claiming that Tehran has invited Syrian opposition leaders to negotiations.

Iran-Turkey

Amir Ali Hajizadeh, commander of the Iranian Revolutionary Guard Council Aerospace Force, stated on 26 November that if Iran is attacked, his force will target NATO's missile shield in Turkey.

Domestic issues

Majles to question Ahmadinejad

After months of wrangling, the petition to question the president was signed by 79 MPs and presented to the Majles speaker. The motion is being debated in Majles commissions and it is conceivable that President Ahmadinejad would be officially questioned by parliamentarians in January 2012. This would be a blow to his authority prior to the 2 March Majles election.

Ahmadinejad adviser detained

Presidential media adviser and **IRNA** manager **Ali Akbar Javanfekr** was arrested on 21 November for disrespecting Islamic and moral principles. He was released on the same day

after consultations between administration officials and the judiciary. His arrest warrant has temporarily been put on hold.

Indictments issued for fraud suspects

Indictments have been issued against over 50 suspects and 27 other individuals arrested in connection with the \$2.6 billion financial fraud case. Prosecutor General **Gholam Hossein Mohseni-Ejei** announced the indictments on 27 November.

Iran to launch satellites

Aerospace Development Centre director **Abbas Ebrahimi** announced on 24 November that the *Tolou* (sunrise) and *Fajr* (dawn) satellites will be sent to space in the coming months. The *Fajr* satellite will be launched by 19 March aboard a *Safir* satellite launcher.

Karroubi to visit family members

In a conciliatory move, Iranian authorities allowed opposition leader **Mehdi Karroubi** to meet with his family. Karroubi's son, **Mohammad Hossein Karroubi**, wrote about the 3 December meeting on **Facebook**, indicating that his father appeared in better health and spirits since the last time he had seen him.

Reformist election boycott?

Ali Mohammad Gharibani, the rotating president of the **Council for Coordinating the Reform Front**, stated on 12 December that reformists do not approve of boycotting the Majles election to be held on 2 March, 2012.

Earlier, on 3 December, **Mohammad Mousavi**

Khoeini, a senior reformist figure and secretary general of the **Association of Combatant Clerics**, had declared that the establishment has missed the opportunity to get reformists to participate in upcoming elections.

Registration of Majles aspirants to begin

On 11 December Interior Minister **Mostafa Mohammad Najjar** said that the Ministry's election headquarters is fully ready to hold the Majles election and that candidates will be able to register as of 24 December.

Nuclear issues

Bushehr nuclear to reach full capacity

Fereydoun Abbasi, the director of the **Iranian Atomic Energy Organisation**, said on 26 November that the Bushehr nuclear plant will be connected to the national grid at full capacity within two months.

New fuel plate production facility

Foreign Minister **Ali Akbar Salehi** announced on 28 November that a new facility for the production of nuclear fuel plates will come on stream in the near future which will be named after Professor **Majid Shahriari**, a nuclear physicist who was assassinated on 29 November, 2010.

The Tehran reactor will be loaded with domestically produced nuclear fuel plates in the near future. >>>

Relocating enrichment plants

The director of the **Passive Defence Organisation**, Brigadier General **Gholam Reza Jalali**, said on 13 December that security considerations may necessitate the relocation of uranium enrichment facilities.

In a 15 December statement, the **Iranian Atomic Energy Organisation** denied a lawmaker's remarks about construction of a new nuclear site in Iran.

Key risks

Domestic politics

The dispute between the Majles and the administration remains intense, and as election season approaches, factional disputes

are reaching a climax particularly among the traditional conservatives and the Resistant Front. Issues such as the recent embezzlement scandal concerning banks and government organisations are being publicised to harm the reputation of the administration.

International affairs

The **Central Bank of Iran** has been sanctioned by the UK and Canada. For the time being, sanctions and pressure will continue within the already established framework.

Subsidy reforms

Subsidy reforms have resulted in major economic hiccoughs and have had a serious inflationary impact. Unofficial inflation has reached 28 per cent and will continue to rise. This phenomenon will continue for two or three years as more and more subsidies are lifted.

Sanctions and compliance

New, tighter sanctions are expected from Western capitals. Though there is no agreement on an oil embargo, some countries may sanction the purchase of Iranian crude. This will have a negative impact on oil prices.

Brussels and Washington are pushing harder for sanctions compliance, not only by their own respective companies but also by third-country companies. The United Nations has been citing human rights violations as another reason to impose sanctions on Iran.

Street protests

The Iranian opposition is planning street protests around the Yalda festival in Iran on 22 December. Major street clashes are not expected, but new protests will increase domestic tension.

revised some of its figures, as summarised in Table 1.

A Look at subsidy reforms

The original subsidy reforms introduced in December 2010 foresaw the removal of existing subsidies and redirection of revenues based on the following breakdown:

50 per cent directly to lower income citizens (about 50 per cent, or 36 million people)
30 per cent to the industries affected by price shifts
20 per cent to the Treasury.

Price corrections were to take place over five years, translating to approximately US\$20 billion of new revenues to be distributed according to the above formula.

However, one year into implementation, prices have been corrected with the objective of gaining US\$40 billion in new revenues (partial shock therapy, as Ahmadinejad wanted originally), and the redistribution plan has been revised as follows:

80 per cent directly to about 63 million citizens
20 per cent to industries
no allocation for the Treasury.

New revenues have fallen short in even the first of these categories, at the allocated US\$38 per month per citizen, and there is no money left for industries that are suffering as a result of higher energy costs.

Undoubtedly, the plan has improved the purchasing power of those with the lowest >>>

SPECIAL FEATURE

A picture of the Iranian economy

Any analysis of the Iranian economy reveals a long list of problems: mismanagement, subsidy reform implementation, quasi-privatisation, external sanctions, and so forth.

Despite sustainable GDP growth at an annual average of about 3 per cent - primarily due to the vast resource base and higher than expected oil prices - the economy is riddled with alarming indicators in the form of inflation, unemployment, a budget deficit, and more.

A look at the current economic phenomena underlines the following:

- > Inflation is high and rising as a consequence of subsidy reforms and budgetary deficit.
- > In the last Iranian year (ended March 2011), real GDP grew by 3.2 per cent, but for the current year will be about 2.5 per cent - leading to growing unemployment.
- > Youth unemployment is considered Iran's primary and entrenched socio-economic issue.
- > Official and unofficial UN, US, and EU sanctions have had a negative impact on economic performance.
- > UN purchasing power parity (PPP) calculations put Iran's GDP at \$848 billion for 2011, i.e., a PPP-based per capita GDP of \$10,917.

Unemployment and underemployment remain the most disturbing factors in the Iranian economy, with many socio-economic consequences. Unemployment is partly driven by the country's demographic profile (with those between 15 and 30 representing almost 40 per cent of the population). Youth unemployment currently stands at 27 per cent, according to the Ministry of Labour and Social Affairs.

The population also faces underemployment, as the economy has failed to produce jobs suitable for emerging university graduates.

In June 2011, the International Monetary Fund (IMF) sent an expert team to Iran to review its economic performance and subsequently

Table 1: IMF revised economic indicators

	REVISED IMF REPORT		IMF PROJECTION
	2009	2010	2011
GDP growth rate (%)	3.5	3.2	2.5
Inflation (%)	10.8	12.4	22.5
Unemployment rate (%)	11.9	14.6	14.9
Liquidity growth (%)	23.5	26.7	26.7
Reserves (\$ billion)	78.0	78.9	80.0
Foreign debts/GDP (%)	5.9	5.4	5.0

Source: International Monetary Fund

30 per cent of incomes, but it has undermined the position of everyone else, especially the middle class. The latest statistics suggest that inflation in the 12 months ending in September 2011 was at 28 per cent, confirming the worst fears of independent economists.

The subsidy reforms will also have medium-term consequences. The absence of a liberalised economic structure increases the possibility that the central economic objective of a better distribution of wealth will fail.

Without an exchange rate correction, the competitiveness of Iranian industry, especially exporters will be undermined, as low energy costs have provided a competitive advantage. And many industrial outlets will close down, which in turn will lead to further unemployment and economic decline. Energy savings from as much as a 10 per cent reduction in domestic energy consumption, however, will generate additional revenues for the government.

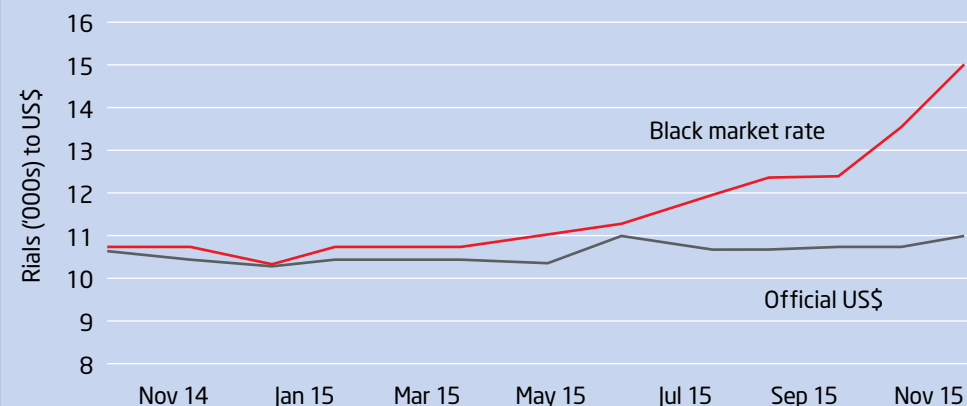
The main losers in the subsidy reform process will be the urban middle class, and limited social backlash (such as strikes) can be expected. The government will react with short-term corrections depending on the emerging tensions and bottlenecks.

Impact of sanctions

Although Iran has faced economic and technology sanctions for the past three decades, its nuclear programme has prompted tougher measures. The impact of the current sanctions can be summarised as follows:

- > Banking relations have become strained, in some cases impossible.
- > Iran has faced difficulties retrieving the proceeds from its oil exports.
- > Oil and gas investments have slowed (even Chinese firms have withdrawn) and domestic investors are being relied on to fill the gap.
- > Imports have become about 5 to 10 per cent more expensive due to third-country sourcing.
- > More and more Iranian money has returned

Graph 1: Currency exchange rates



Source: Official rates from the Central Bank of Iran; unofficial rates from www.mesghal.com

to the Iranian economy (hence the high level of luxury consumption and property investments).

- > Iranian businesses have no choice but to look for export opportunities to create a payment balance between their exports and their imports (i.e., proceeds from exports are used for importation of goods, thus avoiding banking obstacles).
- > Trade patterns are moving strongly towards regional and Asian trading partners, China and Turkey in particular.
- > Occasional windfalls such as the appreciation of gold prices or higher than expected crude prices have helped the government bear the additional costs to the economy.

The exchange rate challenge

The foreign exchange black market rate is one

of the most significant indicators of business confidence in Iran. The country has always had a currency black market, but the difference between official and black market rates reflects the level of concern of economic players and the government's ability to manage economic challenges.

Graph 1 shows the official and the black market rates between September 2010 and December 2011. The **Central Bank of Iran (CBI)** devalued the rial by 10 per cent in June 2011 in order to close the gap between the rates, but it has since grown, despite various attempts to provide the market with excess hard currency (see Graph 1).

Furthermore, despite higher than expected oil revenue, the oil surplus fund and the national reserve fund are empty, mainly because >>>

funds have been diverted and used for the subsidy reform. This tactic is against the law, which limits the ability of CBI to manage the foreign exchange market.

Economic outlook

The Iranian economy will continue to face major internal and external irritations as sanctions and subsidy reforms continue. The short- to medium-term outlook can be summarised as follows:

- > Subsidy reform will lead to inflation of about 25 per cent by the end of the current Iranian year (20 March 2012). Unofficial inflation will be higher (about 30 per cent).
- > The impact of subsidy reform on the middle class will translate into a relative decline in spending.
- > Time-lagged inflationary effects will appear, such as in the housing sector, telecom fees, and other utilities.
- > Higher energy prices will affect industry and in turn lead to unemployment.
- > The government will have no choice but to reduce the amount of cash subsidies.
- > The higher than expected oil price will offer some leverage to the government, but short-term adjustment pains are inevitable.
- > The rial will have to officially be devalued in 2012.

Sanctions, subsidy reforms, and the budget deficit will all undermine the ability of the Iranian economy to perform to its actual potential. The economy will be driven mainly by the resource base, as well as by increased private-sector activity. Real economic growth in the next decade will be around 3 per cent per annum.

OIL & GAS

Oil sector news

Major gas field in Caspian Sea

Petroleum Minister **Rostam Qasemi** said Iran has discovered a gas field with 'considerable reserves' in its territorial waters offshore the Caspian Sea. Qasemi said the exact amount will be announced in the near future.

Preliminary studies show that the field holds 'more gas than the initial estimates for reserves in the whole Caspian basin' and could be 'ten times bigger than Azerbaijan's Shah Deniz field.'

The discovery was made as a result of drillings conducted through the Amir Kabir semi-submersible platform. The field is located in Iran's 20 per cent share of the Caspian Sea. Qasemi said the field could also contain oil, but its major reserve is gas. Iran plans to use the field to support domestic demand as well as exports to Turkey and Europe.

The main question is how Iran will be able to provide the deepwater technology required to tap the reserves. Iranian companies have offshore expertise only for work in Persian Gulf waters to a maximum depth of 70 m. Foreign help will be needed for Caspian Sea prospects, which lie more than 800 m below sea.

The technology to drill so deep could come from international majors such as **Petrobras** and **Statoil** - companies that used to have ambitious plans for Iran. Such companies have currently shelved their plans as a result of sanctions,

suggesting that Iran will have difficulty finding an adequate foreign contractor for the job.

Once the new field goes online it will provide a boon for Iran's gas transmissions to the northern areas of the country and help free it from dependence on Turkmenistan gas imports.

Iran claims that the discovery has been made in undisputed waters, but Caspian states have yet to arrive at a final agreement over maritime borders.

Iran, Tatneft ink deal over Zagheh

NIOC and Russia's **Tatneft Group** have signed a basic agreement over a project to develop Iran's Zagheh oil field in Bushehr province. The agreement - which will be finalised within the next three months - will allow Tatneft to produce 7,000 b/d of heavy crude in the first phase of its development. The amount will be increased to 55,000 b/d in the second phase.

The overall value of investments to be made is estimated at about \$1 billion, to be provided by local Iranian **Tat Bank**. Tatneft is therefore not expected to be concerned about international sanctions that bar investments in Iran's energy projects.

Tatneft is involved primarily to bring in the technology needed to develop the field. The company enjoys the strong backing of Russia, which has repeatedly emphasised that it is against sanctioning Iran's oil industry.

If finalised, the scheme will be the first to be handled by the company. The project is not big, but Iran is expected to use it to tell the world that

it is still signing deals with foreign companies in defiance of sanctions. The technology is nevertheless crucial and could win Tatneft more deals over similar projects, such as Ferdowsi and Kouh-e Mond, if it performs successfully at Zagheh.

Oil bond interest rate

Petroleum Minister **Rostam Qasemi** has proposed raising to as high as 35 per cent the interest margin of bonds issued to attract funds for Iran's oil and gas projects, in particular to expedite the development of shared fields.

MP **Mehdi Sadeq**, a member of the Majles Industries Commission (MIC), said Qasemi made the proposal in a meeting with Commission members. The MIC views the minister's proposal favourably. Sadeq said Qasemi has urged the Majles to consider raising the interest rate of oil bonds in the budget bill for the next Iranian calendar year (starting 21 March 2012).

Qasemi's proposal has again revealed Iran's desperation to provide crucial funds for the development of its energy projects. The recent bond release campaign failed to attract many investors.

Bonds with an interest rate of 35 per cent definitely look enticing. Nevertheless, the question is how the Iranian government will guarantee such a high rate of return, particularly considering that the huge resulting payback burden will be on the shoulders of the next administration - whose policies may be totally different from the current one.

PEDCO chief removed

The **NIOC** managing director has removed >>>

PEDCO managing director **Ali Beheshtian** and replaced him with mid-level manager **Saeid Hafezi**. The new PEDCO chief comes from **PEDEC**, where he was in charge of a project to increase production from the Masjed Soleyman oil field. No reason for the decision was given.

Beheshtian was always considered a veteran insider among industrialists from Iran's southern oil-rich provinces. He was once said to be President Ahmadinejad's nominee for petroleum minister but has recently faced criticism over his project management, particularly with respect to the development of the Salman field.

Sasol to divest stake in Iran's petchem

Sasol has reportedly entered into discussions to divest its stake in its Iran-based joint venture **Arya Sasol Polymers**.

Arya Sasol Polymer is a JV between Iran's state-owned **National Petrochemical Company (NPC)** and **Sasol**. It operates a 1 mt/yr cracker, a 300,000 t/yr low-density polyethylene plant, and a 300,000 t/yr medium-density PE/high-density PE unit in the Pars Special Economic Energy Zone.

Pars Petrochemical, a wholly owned subsidiary of NPC, is also a partner in the joint venture and provides feedstock to Arya Sasol.

In a company update, chief financial officer **Christine Ramon** said that Sasol's first-quarter results for Arya Sasol Polymer were negatively influenced by the downtime required to modify the demethaniser column in the cracker section of its plant.

'For this reason, utilisation rates for the integrated facility were, on average, around 70 per cent in the period. However, remedial work was completed successfully and the cracker has since concluded its full-rate trials and the plants are running steadily at higher rates,' she noted.

Petropars gets Farzad A

NIOC has awarded a contract for exploration of Farzad A gas field to **Petropars**. Funds will be provided by Petropars partner in the project, **NICO**.

NIOC managing director **Ahmad Qalebani** said the deal will be the first of its kind, envisaging simultaneous exploration and development operations. Petropars managing director **Mohammad-Javad Shams** said seismic operations have already started over the field. The company will start drillings for appraisal wells soon.

Farzad A is located in Farsi block, which was explored by Indian companies. It is considered to be shared with Saudi Arabia and its production potential is estimated at 14 mcm of gas per day.

The decision to award the project as an integrated exploration and development scheme may be yet another indication of Iran's wish to speed up the development of shared fields. From a corporate point of view, the deal indicates the renewed trust of the Ministry of Petroleum in Petropars, which had been earlier sidelined from another major project to develop Kish gas field.

Providing the funds may not be difficult. The well-off **NICO** - the financial arm of **NIOC** - will take care of the cash required.

Nevertheless, Iranian companies have been handling few development projects on their own and it remains to be seen whether Petropars will prove successful from a technical point of view, particularly when it cannot use foreign help due to sanctions. The chances are that the company will try to use a certain share of foreign help even though nothing will be made public.

Yaran goes to Energy Persia

PEDEC awarded a contract worth \$600 million to **Energy Persia Company** for development of the Yaran oil field in western Iran. It will yield 10,000-15,000 b/d of crude oil during the early production phase. **NIOC** managing director **Ahmad Qalebani** said the 65 km² field will become officially operational in 24 months and will produce up to 25,000 b/d of crude thereafter.

On the sidelines of the ceremony to sign the deal, Petroleum Minister **Rostam Qasemi** said that increasing investment in oil production is a high priority for the Ministry 'as it would entail many benefits for the country and the people.' He asserted that the Ministry is ready to sign working contracts with all private companies and banks that are capable of implementing oil industry projects.

Gas sector news

Zanganeh testifies in Crescent case

Former petroleum minister **Bijan Namdar Zanganeh** rejected reports that he had been summoned to court in connection with a major

deal to export gas to the UAE, known in Iran as the **Crescent** deal. Zanganeh, who was in office from 1997 to 2005, said he had sent a letter to judiciary officials about the case and had also 'voluntarily' appeared in the court to testify over the scheme.

He said he had taken the initiative after several current and former oil directors were interrogated over Crescent deal.

Earlier, **Fars News Agency** had reported that the former minister, as the main person in charge of the deal, had been summoned by a special court dealing with the corruption of state officials. Fars quoted an informed oil official as saying that at least 12 people, including Zanganeh's former office head - identified as H.R. - have been interrogated over charges of receiving bribes.

The unnamed official added that Zanganeh's then secretary had also spent some time in detention over the Crescent deal. Several other individuals have been arrested, including six former and current oil officials and some ex-members of the **NIOC** board.

The Crescent deal has been a prime subject of controversy for a long time. Recently, officials from the Majles said that the case is expected to be finalised in the near future. The Fars report over the recent arrests and Zanganeh's explanations show that that day has not arrived.

Possibly, Majles members and governments officials are using such controversies in an attempt to demonstrate their own anti-corruption credentials. >>>

Ferdowsi heads of agreement

PEDEC has signed a heads of agreement (HoA) with **Petropars** to develop the Ferdowsi heavy oil field in the Persian Gulf. Petropars is expected to prepare and submit the MDP of the field to PEDEC within the next four months. Afterwards, the two sides will start contractual talks.

The scope of work for Petropars is the completion of drilling of well no. 3, completion of 3D seismic operations, and the drilling of three new development wells. In addition, Petropars is due to bring the early production stage (EPS) of this field to 10,000 b/d within 24 months after the contract takes effect. It will also develop phase 1 of this field - with a production capacity of 75,000 b/d.

NIOC Dehloran NGL job

NIOC awarded a Dehloran NGL development contract to **OIEC**. The value of the contract is \$1.4 billion and operations are expected to start within the next month. Daily targets will be production of 46,000 barrels of C2+, 2.2 mcm of sweet gas, 2.9 mm of sour gas, and 1,170 barrels of condensate.

PEDEC to develop Esfandiar field

The **Iranian Offshore Oil Company (IOOC)** is currently in talks with a private Iranian company to award the Esfandiar development project. Esfandiar is in the Persian Gulf, 40 km off north of the Forouzan oil field, and is shared with the Lulu oil field of Saudi Arabia.

According to sources close to the project, technical talks between IOOC and **Pasargad Energy Development Company (PEDEC)**, a subsidiary of the private **Bank Pasargad of Iran**

(**BPI**), have been completed, and the relevant financial talks are also at their final stage, possibly ending within the current month. BPI is expected to secure 85 per cent of the funds to develop this field.

The project has two phases. In the first, crude oil production will peak at about 10,000 b/d. In the second, it will hit 20,000 b/d.

Esfandiar has been on the **NIOC** agenda since 1999. It was awarded to **PEDCO** in 2002 but was re-tendered in late 2007 and ultimately became subject to an MoU with an unnamed Malaysian firm in September 2008.

Investors cool on South Pars bonds

Informed sources say that investors have purchased only 14 per cent of rial bonds that the Ministry of Petroleum sold through domestic banks across the country from 26 November to 1 December to attract funds for South Pars projects.

From the total investment of 5 trillion rials (\$4.5 billion) expected to be attracted through selling bonds, only 700 billion rials (\$630 million) was raised. Accordingly, the **NIOC** announced that the bond offer would continue until the end of working hours on 4 December.

Experts believe that this cold shoulder results from an unpredictable gold and foreign exchange market, which attracts more funds and cash inputs. It could also suggest a lower level of overall liquidity in Iran's economy as investors have been attempting to deal with rising inflation.

The oil industry upstream sector in particular has been facing serious financial issues in recent years, which will be aggravated if bonds continue to sell poorly in further phases.

Iran to sell gas futures

Simultaneously with a plan to sell oil futures to local investors, Iran has revealed a similar scheme to sell gas futures contracts. These are meant to raise billions of dollars needed to fund various energy projects.

'Based on this plan, gas to be produced from gas fields will be sold to investors beforehand,' **NIOC** managing director **Ahmad Qalehbani** said, noting that the sale of gas contracts would be allocated for gas field development. The contracts will provide some form of interest and allow holders to buy gas at a discount after four or five years, when the gas developments are completed.

The **NIOC** chief said a total of around \$156 billion needs to be invested in the oil and gas upstream sector before 2015. Rial and foreign currency bonds for the advance sale of oil and gas will be issued to Iranians in over-the-counter paper deals. More than \$12 billion has been raised in the first seven months, Qalebani said.

In the absence of a transparent hedging mechanism and an unclear future of Iranian projects, however, investors are expected to show little interest in these policies. Rial bonds have already met a lukewarm welcome.

Iran planning to boost gas swaps

NIGEC managing director **Hossein Bidarmaghz** said Iran has plans to pursue gas swap projects

in the region to establish a strategic link with major gas producers. This is part of a policy to cooperate with rival gas producers instead of competing with them.

'Iran can deliver gas to Russia's clients in areas that are beyond its reach,' Bidarmaghz said. 'Russia can also do the same for Iran. This will create a strategic market partnership for producers.'

Iran is currently studying a number of channels for swapping natural gas, such as the Turkmenistan-Persian Gulf and Turkmenistan-Pakistan routes.

It remains to be seen whether Iran will be able to realise its ambition to form a swap cooperation scheme with Russia. Even if it does so, it is expected to reap only financial benefits - and not very significant ones - without a role in supply decision making or market share.

Surprisingly, it is also Russia's wish to keep Iran as a market underdog and use its reserves through a simple swap scheme.





Upstream project update

A fully detailed Project Tracker database is updated monthly and contains exhaustive descriptions of projects and activities. It is available and free to all *Iran Strategic Focus* subscribers as a PDF file from the Menas e-library. The Project Tracker contains cumulative information on Balal, Douroud, Esfandiar and Forouzan, Sirri A and E, North Pars, South Pars, Soroush and Norouz, Salman, Kish, North Azadegan, South Azadegan, Bangestan, Band-e Karkhed, Cheshmeh Khosh, Darkhovin, Masjed Soleyman, Yadavaran, Golshan and Ferdowsi, Farzad-B, Anaran, Farsi, Munir, Mehr, Alvand, Towsan, Forouz and Iran-mehr, Zavareh-Kashan, Saveh, Kouhdasht, Khorramabad, Garmsar, Dayyer, Danan, and Moghan 1 and 2.

PGNIG sidelined from Lavan

Mehr News Agency reported that **NIOC** has sidelined Poland's **PGNIG** from the project to develop Lavan gas field. This comes over four years after the deal was awarded and a protracted delay in starting the operations.

Lavan is located in Persian Gulf waters and holds around 160 bcm of gas. Iran expects to produce 30 mcm/d of gas from the field by drilling a total of 12 wells. NIOC is expected to award the project, whose value is estimated to be around \$1.9 billion, to a consortium of local companies. The initial value discussed with PGNIG was \$5 billion to \$7 billion.

A basic agreement has been awarded to local newcomers **Sepheh Energy Company**. PGNIG's failure to start work should be viewed in light of sanctions. Poland is generally believed to have close ties with the United States.

visit our Menas ACCS website >>> www.menas-accs.com

Table 2: Project tracker

PROJECT	DEVELOPMENT
Esfandiar oil field	<ul style="list-style-type: none"> > Talks underway with a local firm over project development. > Pasargad Energy Development Company (PEDC) – a subsidiary of private Bank Pasargad of Iran (BPI) – to provide 85% of funds.
Forouz B	<ul style="list-style-type: none"> > BGP Iran-Kish won tender for 3D seismic studies tender. > Studies cover an area of 400 km² and are supposed to end within two months.
Golshan and Ferdowsi	> NIOC will possibly annul development contract.
Reshadat	<ul style="list-style-type: none"> > IOEC won EPS tender for drilling 30 wells in field. > Project period at 44 months and costs at €264 million. > SADRA constructing topsides.

Table 3: South Pars update

PHASE	DEVELOPMENT
6, 7, 8	> Fajr Jam Treatment Plant now receiving full supplies from phases.
9, 10	<ul style="list-style-type: none"> > Some wells still not ready for production. > Drilling of wells to be completed by mid-February 2012. > 18 out of 24 planned oil wells have been put into operation.
14	<ul style="list-style-type: none"> > Drilling of an appraisal well started. > Drilling of 20 wells to start in the near future. > NIDC and Global Petrotech Kish (GPT) to drill 44 wells.
17, 18	<ul style="list-style-type: none"> > Dana Drilling won a tender to drill 22 wells. > Progress of drillings by NIDC at 60%. > SADRA constructing platforms, jackets to be installed by mid-2012. > IOEC to launch project tripod in early January 2012. > No wells ready for production yet but early production expected in late 2012. >>>

Table 3: South Pars update (continued)

PHASE	DEVELOPMENT
19	<ul style="list-style-type: none"> > Overall progress at 21%. > Operations to prepare site almost complete.
22, 23, 24	<ul style="list-style-type: none"> > Overall progress at 35%. > All 4 drilling rigs secured and to be relocated to the site within the next 6 months. > Construction of all 4 offshore jackets to be complete by March 2012 and installed by late May 2012.

ECONOMY & BUSINESS

Economic reports

Market capitalisation

The value of Tehran's capital market was \$86.6 billion in 2010, corresponding to 20 per cent of GDP in the same year. As reported by **Ali Salehabadi**, the head of the **Securities and Exchange Organisation (SEO)** there are currently more than 400 companies listed by SEO, and 87 broker companies and 14 investment companies are active in Iran's capital market.

The TSE index declined by 11 per cent in 2008, but grew 13 per cent in 2009, 67 per cent in 2010, and 37 per cent in 2011.

Foreign entities may invest in Iran's stock market but are not allowed to gain management positions in listed companies. Among other restrictions for foreign investors is that they may not own above 20 per cent of company

shares and cannot sell their shares for up to two years.

Industrial growth figures

The **Majles Research Centre (MCR)** has released a report about the state of industry under the Fourth Five-Year Development Plan (2005-10). The industrial growth rate was 1.3 and 1 per cent, respectively, for the Iranian years 1387 (21 March 2008-20 March 2009) and 1388 (21 March 2009-20 March 2010). Since 2006, the government has refused to publish figures about industrial growth.

During the Fourth Plan, 55.6 per cent of industrial job creation objectives were fulfilled. Moreover, the average capital productivity index was -0.84 per cent, against a target of 4 per cent. Also, the average total factor productivity (TFP), expected to be 4.4 per cent, was 1.4 per cent.

The average growth rate over the entire plan stands at about 7 per cent, far below the target of 11.2 per cent.

Foreign companies

Huawei limits business activity in Iran

Huawei Technologies, China's largest producer of telecommunications equipment, announced that it is voluntarily limiting its business activity in Iran because of the 'increasingly complex situation' there. The company said it is no longer seeking new customers and is limiting its business with existing customers. It will continue to provide services relating to communication networks that are under delivery or have already been delivered.

Huawei's business rapidly grew in Iran following a pullback by Western companies in 2009. The company has close to 1,000 staff in the country.

Loans to foreign investors

As reported by the Minister of Economic Affairs and Finance **Shamseddin Hosseini**, some 20 per cent of the resources of the National Development Fund (NDF) will be granted to foreign investors to promote foreign investment in the country.

This will be done in accordance with the Law Governing the Fifth Five-Year Development Plan (2011-15). The ruling translates to some \$5.4 billion credit available to foreign investors. According to the minister, Iranian expatriates may also be considered as foreign investors and use NDF resources.



Inflation rate conundrum

The **Central Bank of Iran (CBI)** has announced that the inflation rate was 19.8 per cent for the month ending 21 November. MP **Ahmad Tavakoli**, the head of the **Majles Research Centre**, put it as high as 24.8 per cent, based on figures released by the **Statistical Centre of Iran (SCI)**.

The inflation rates announced by SCI have always been higher than those of CBI, due to the fact that they use different statistical methods in terms of the base year and the items included in the basket of goods.

Tax reform

According to President Ahmadinejad, the government plans to reform the tax structure 'to expand justice and transparency.' Increasing the tax base and revising tax exemptions are among such reforms.

As reported by **Ali Askari**, the president of the **Iranian National Tax Administration**, some 41 per cent of economic sectors are officially exempt from taxation and 20 per cent is within the unofficial sections that do not pay tax. More than 60 per cent of the economy is thus not subject to taxation.

Askari implicitly referred to the Foundations (Bonyads), which are exempt from tax and do not even provide financial information.

Majles evaluates subsidy performance

The **Majles Economic Reforms Commission** has released its first report about the government's nine-month performance on subsidy reforms. Decreased energy consumption and an improvement of the Gini co-efficient were mentioned as positive aspects.

The report points out to the followings as flaws in implementation of the plan:

- > Payment of cash handouts was made without calculating the revenues gained.
- > Extensive cash handouts have reduced the subsidies paid to industries.
- > The amount received from the **Central Bank of Iran (CBI)** for paying cash handouts was higher than the legal level and the minister of economic affairs failed to pay back the funds received.
- > If the status quo continues, the government will face a \$14 billion budget deficit.

The Commission has called on the government to revise its plan to lower the amount paid and restrict the number of recipients.

Sanctions and trade

US, Britain, Canada, France tighten noose

The United States joined Britain and Canada on 21 November in a coordinated effort to impose tougher sanctions against Iran over its nuclear

Table 4: Iran's top import partners, 21 March-22 October 2011

	COUNTRY	VALUE OF EXPORTS TO IRAN (\$ MILLION)	WEIGHT OF EXPORTS TO IRAN ('000 TONS)	CONTINENTAL VALUE SHARE (%)	CONTINENTAL WEIGHT SHARE (%)
Asia	UAE	11,191	8,019	46.63	52.57
Europe	Germany	2,281	502	23.41	10.15
Americas	Brazil	335	89	57.89	38.92
Africa	Egypt	38	54	33.73	33.68
Oceania	New Zealand	50	18	56.85	82.16

Source: Customs Administration

programme. According to US Secretary of State **Hillary Clinton**, the new measures target Iran's petrochemical industry and its oil and gas business. The United States also named Iran as a 'primary money-laundering concern.'

Britain cut all financial ties with Iran and sanctioned the **Central Bank of Iran (CBI)**. Similarly, Canada said it was implementing a series of tougher sanctions, prohibiting almost all financial transactions with the Iranian government.

In the meantime, the issue of an Iranian oil embargo, initiated by France at the EU meeting, did not gain the approval of all member states and was postponed to a mid-January summit. The Union reached an agreement in principle on the ban but will study the likely impact on economies that are already in trouble.

Some countries, such as Italy and Spain, plan to find alternatives and negotiate a supply increase with other producers, notably Saudi Arabia. The EU capitals have agreed to add 180

names to an Iranian sanctions list to escalate pressure on Tehran.

Russia has expressed strong opposition to the new sanctions. 'Russia considers such extraterritorial measures as unacceptable and a violation of international law. This will seriously complicate efforts to develop a constructive dialogue with Tehran,' said **Maria Zakharova**, a spokesperson for Russia's Ministry of Foreign Affairs.

US Senate passes CBI sanction

The US Senate has approved imposing sanctions on the **Central Bank of Iran (CBI)**, as part of an annual defence authorisation bill. The vote 86 to 13 followed the same legislation passed by the House, and the bill has been sent to President **Barack Obama** to be signed into law.

Despite earlier veto threats and fear of consequent higher oil prices, Obama reportedly plans to sign the bill. Among other things, the bill not only bans the CBI from the US financial system but also bans anyone who does business with

it. The move is the harshest measure to date on Iran over its nuclear programme.

Japan, Australia expand sanctions

Japan and Australia have decided to join the United States, United Kingdom, and the European Union in imposing fresh sanctions against Iran. The new sanctions, approved by the Japanese cabinet, will freeze the assets of an additional 106 organisations, one individual, and three banks, widening to more than 350 Iran-based entities.

Moreover, according to Australian Foreign Minister **Kevin Rudd**, the new sanctions will target people and companies involved in Iran's ballistic missile and nuclear programmes and will restrict Australia's business with Iran's petroleum and financial sectors.

Washington presses UAE

The undersecretary for terrorism and financial intelligence in the US Treasury, **David Cohen**, met representatives of local banks in his >>>

Table 5: Iran's top continental export partners, 21 March-22 October 2011

	WEIGHT ('000 TONS)	VALUE (\$ MILLION)	GROWTH OF WEIGHT (%)	GROWTH OF VALUE (%)
Asia	41,142	19,337	+6.63	+27.59
Europe	1,039	1,400	-28.15	-11.45
Americas	165	224	-66.05	-52.53
Africa	363	269	-36.96	-15.50
Oceania	83	67	-38.88	-22.04

Source: Customs Administration

visit to the UAE to press for further isolation of Iranian institutions, and threatened to cut off any transgressors from the US financial system.

Last year, bilateral trade amounted to more than \$10 billion, and the latest figures show an increase in re-exports in the first six months of 2011. According to a Dubai official, trade with Iran continues to go up, and the traders find ways around the sanctions.

South Korea blacklists firms

The South Korean government announced expanded sanctions against Iran, blacklisting more than 100 firms and individuals. Some 99 companies and six individuals have been added to the list, all related to the Iranian nuclear programme, said **Kim Young-min**, an official with the Ministry of Finance.

Last year, South Korea blacklisted 102 organisations and 24 individuals. The government also warned South Korean companies that 'they may find disadvantages when doing business with the United States, if they contribute to

the Iranian petroleum industry or petrochemical maintenance expansion.'

Top import/export partners

During the first seven months of the current Iranian year (started 21 March), the UAE from Asia, Germany from Europe, Brazil from South America, Egypt from Africa, and New Zealand from Oceania were the top countries on each continent in terms of exports to Iran. Together they exported about \$14 billion of goods (Table 4).

Iran exported 1,039 thousand tons of goods, worth of \$1,400 million, to Europe, a 28.15 per cent decrease in terms of weight and 11.45 per cent drop in terms of value.

Conversely, its exports to Asia grew by 6.63 per cent in weight and 27.59 per cent in value. On the whole, the country's exports to the five continents have sharply declined, with the exception of Asia (Table 5).

»»» www.menas.co.uk

IRAN DIARY

November 22

> The Foreign Ministry summoned the Turkish ambassador over an armed attack on an Iranian bus on Turkish soil in which some passengers were wounded.

November 23

- > The Majles ratified an emergency bill that entailed reducing ties with Britain, 162 in favour out of 198 votes.
- > Iran's new ambassador to Syria, **Mohammad Reza Raouf-Sheibani**, met with the Syrian Prime Minister **Adel Safar**.
- > The director general of Iran's Drug Control Headquarters for international affairs, **Mahmoud Bayat**, met Bulgarian Interior Ministry Secretary **Colin Georgiev** in Sofia.

November 24

> The Foreign Ministry summoned the Swiss ambassador to Iran to convey Tehran's protest against the US accusation that Iran was involved in the assassination plot against

the Saudi ambassador to Washington.

November 27

- > The Majles ratified a bill to downgrade political and economic ties with Britain.
- > **Francis Zammit Dimech**, chair of the Committee on Foreign and European Affairs of Malta's House of Representatives, met Iranian ambassador to Italy and accredited ambassador to Malta **Mohammad-Ali Hosseini**.
- > Foreign Minister **Ali Akbar Salehi** met visiting Turkish Deputy Foreign Minister for Consular Affairs **Naji Koru**.
- > Iran, Pakistan, and Afghanistan held a tripartite meeting in Kabul about the campaign against drug trafficking.

November 28

- > Interior Minister **Mostafa Mohammad Najjar** met Afghan Minister of Counter-Narcotics **Zarar Ahmad Moqbel** in Kabul.
- > Deputy Foreign Minister for Consular Affairs **Hassan Qashghavi** and his Turkish counterpart, **Naji Kuru**, signed a consular cooperation agreement in Tehran.
- > Foreign Minister Salehi met Azeri Deputy Foreign Minister **Khalaf Khalafov** in Tehran.
- > Salehi could not attend a conference in The Hague on banning chemical weapons due to Hungary's refusal to give clearance for his plane to fly through its airspace.
- > The heads of the three branches of power, President **Mahmoud Ahmadinejad**, Majles Speaker **Ali Larijani**, and judiciary chief **Ayatollah Sadeq Larijani**, met to review the latest domestic, regional, and global issues.

November 29

- > The UK embassy in Tehran was stormed »»»

by a group of protesters.

- > Iran's Minister of Industry, Mines, and Trade met with United Nations Industrial Development Organization (UNIDO) director general **Kandeh K. Yumkella**.
- > Afghan President **Hamid Karzai** met visiting Iranian Interior Minister **Mostafa Mohammad-Najjar**.
- > Interior Minister **Mostafa Mohammad Najjar** met the speakers of the Afghan Parliament and Senate.
- > Majles Speaker Larijani met the Russian co-chair of the Iran-Russia Parliamentary Friendship Group, **Hafez Saleh**, in Tehran.
- > Iran's Foreign Ministry expressed regret over the 'unacceptable behaviour of certain protesters' in front of the UK embassy in Tehran.

November 30

- > Foreign Secretary **William Hague** said that he required Iranian diplomats to leave London within 48 hours.
- > Foreign Minister Salehi arrived in Jeddah, Saudi Arabia, to take part in an emergency meeting of the **Organization of the Islamic Cooperation (OIC)**.
- > Iran's ambassador to Beirut, **Ghazanfar Roknabadi**, held talks with Lebanese President **Michel Suleiman**.

December 1

- > President Ahmadinejad held a phone call with Turkish Prime Minister **Recep Tayyip Erdogan**.
- > Lebanese Minister of Telecommunications **Nicolas Sahnawi** met Iran's ambassador to Beirut. >>>

Order Form

Menas Associates executive briefings are distributed in PDF format by e-mail. Corporate subscriptions can be sent to an unlimited number of individuals within your organisation, on receipt of their e-mail addresses.

Subscriptions include access via a user name and password to Menas' e-library where all of the previous issues, plus additional valuable databases, can be viewed or downloaded.

Please send me a **free** sample copy and full details of the following subscription(s):

- Algeria Focus
- Brazil Focus
- Caspian Focus
- Iran Strategic Focus
- Iraq Focus
- Libya Focus
- Nigeria Focus
- Sahara Focus (quarterly)
- Vietnam Focus
- Yemen Focus

ISF1211

Name _____

Company/Organisation _____

Title/Position _____

Business/Interest _____

Address _____

Phone _____

Fax _____

E-mail _____

Website _____

Signature _____

Date _____

Menas Associates Ltd

Suite 8, 4 Bloomsbury Square
 London
 WC1A 2RP
 United Kingdom

+44 0203 397 4311

info@menas.co.uk
 www.menas.co.uk

December 3

- > Maltese Minister of Infrastructure Affairs, Transportation, and Communication **Austin Gatt** and Iran's ambassador to Italy **Mohammad Ali Hosseini** held a meeting in Valetta, Malta.

December 4

- > Foreign Minister Salehi left Tehran for Bonn, Germany, to participate in a conference on Afghanistan.
- > A US spy drone was brought down by Iranian armed forces with minimal damage.

December 5

- > German Foreign Minister **Guido Westerwelle** met visiting Iranian Foreign Minister Salehi.
- > Foreign Minister Salehi met his Tajik counterpart, **Hamrokhon Zarifi**, on the sidelines of the International Afghanistan Conference in Bonn.

December 6

- > Iran's new ambassador to Sri Lanka, **Mohammad Nabi Hassanipour**, submitted his credentials to President **Mahinda Rajapaksa**.
- > Foreign Minister Salehi held separate meetings with his Bulgarian and Turkish counterparts in Bonn.
- > Lebanese Prime Minister **Najib Mighati** met the Iranian ambassador to Lebanon.

December 7

- > Vice-President **Mohammad Javad Mohammadizadeh**, the head of Iran's Department of Environment, attended a conference on climate change in Durban, South Africa.

December 8

- > Deputy Interior Minister for Security Affairs **Ali Abdollahi** took part in the 60th founding anniversary of **International Organization for Migration (IOM)**.
- > The Foreign Ministry summoned **Livia Leu Agosti**, Swiss ambassador to Tehran, to convey its protest of violation of Iranian airspace by a US spy drone.

December 10

- > Afghan ambassador to Tehran **Abidollah Abid** was summoned to the Foreign Ministry in protest at violation of Iran's airspace by a US spy drone.
- > President Ahmadinejad held a phone conversation with Afghan President **Hamid Karzai**.

December 11

- > Lebanese Prime Minister **Najib Mikati** met Iran's ambassador to Beirut, **Gholamreza Roknabadi**.
- > Visiting Namibian Foreign Minister **Utoni Nujoma** met Foreign Minister Salehi in Tehran.

December 12

- > Vice-President **Mohammad Reza Rahimi** met with the United Arab Emirates ambassador to Tehran, **Seif Mohammad bin Obayd al-zabi**.

December 13

- > The first meeting of the **Iran-Afghanistan Joint Military and Defence Cooperation Commission** was held in Tehran.
- > Foreign Minister Salehi met visiting Afghan Deputy Defence Minister **Homayoon Fozi**.
- > President Ahmadinejad met new Russian ambassador to Tehran **Levan Jagaryan**.

December 14

- > President Ahmadinejad met Namibian Foreign Minister **Utoni Nujoma** in Tehran.
- > Minister of Culture and Islamic Guidance **Mohammad Hosseini** met Qatari Minister of Endowments and Islamic Affairs **Gheith bin Mubarak al-Kuwari**.
- > Minister of Road and Urban Planning **Ali Nikzad** met Syrian Minister of Transportation **Faisal al-Abbas** in Tehran.
- > President Ahmadinejad arrived in the city of Yasouj in Kohkiluyeh and Boyerahmad province as part of his regular provincial tours.
- > Kuwait Foreign Minister **Sheikh Sabah al-Khalid al-Hamad al-Sabah** held a phone conversation with Foreign Minister Salehi.
- > East Timor President **Jose Ramos Horta**

met the new accredited Iranian ambassador **Mahmoud Farzandeh**.

December 17

- > **Bojidar Evanovich**, head of the International Rights Office of the Serbian Foreign Ministry, met Iran's ambassador to Belgrade, **Abolqassem Delfi**.
- > Iran's Intelligence Ministry announced that a US spy working for the Central Intelligence Agency was identified and arrested in Iran.

December 18

- > Visiting Tatar President **Rustam Minnikhanov** met Foreign Minister Salehi.

December 19

- > Iran's accredited ambassador to the Maldives, **Mohammad Nabi Hassanpour**, submitted his credentials to Maldives President **Mohamed Nasheed**.
- > President Ahmadinejad arrived in the northwestern province of Ardebil as part of his regular provincial visit.

December 20

- > Foreign Minister **Adnan Mansour** met Iran's ambassador in Lebanon.
- > President **Benigno Aquino** met Iran's new ambassador to Philippines, **Ali-Asghar Mohammadi**.

visit our website >>> www.menas.co.uk