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A very

Merry Christmas

to Our Christian Readers.

May There Indeed Be Peace in the World.

**WHITHER IRAN—MORE NEGOTIATIONS,
ANOTHER OFFER, ECONOMIC BLOCKADE,
MILITARY ACTION—TO BE DECIDED IN 2013**

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US and Partners Prepare Modest Offer to Iran: Barbara Slavin, *Al-Monitor*, Dec 19, 2012—Weeks of deliberations among the United States and its fellow negotiators have produced an offer to Iran very similar to the package Iran rejected last summer, casting doubt on chances for breaking the long stalemate over Iran's nuclear program.

2013: The year of Iran: David Horovitz, *Times of Israel*, Dec. 19, 2012—We've been saying it for years: This coming year represents the moment of truth on Iran. Except that this year, it's for real: 2013 represents the moment of truth on Iran. The year the Iranians pass the point of no return in their drive to the bomb. Or the year, one way or another, they are dissuaded.

Changes to Canada's Terror List a Shot Across Iran's Bow: Campbell Clark, *The Globe and Mail*, Dec. 20, 2012—The Canadian government has listed the clandestine branch of Iran's Revolutionary Guard as a terrorist organization and, at the same time, removed a controversial Iranian opposition organization, the People's Mujahedin, from the terror list.

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TIME FOR AN ECONOMIC BLOCKADE ON IRAN

Mark Wallace

[Real Clear World](#), Dec. 13, 2012

The recent demonstrations and protests in Iran over the increasingly perilous state of its economy are the latest and most powerful sign that the economic war is having a tangible impact. There is no doubt that punitive financial and economic sanctions have contributed greatly to the collapse of Iran's currency, the rial. Iran now suffers from hyperinflation and the rial has fallen by 80 percent in the past year. As history has shown, durable hyperinflation such as this can result in public unrest and, occasionally, regime change.

The conventional wisdom of the past was that sanctions against Iran would have little impact because of Iran's vast oil wealth. That was, in retrospect, flawed thinking. In the past year, Iran's acceleration of its nuclear program and defiance of the IAEA, its sponsorship of terrorism and its destabilizing behavior in countries like Syria finally prompted the international community to act. The loss of Iranian oil has had little effect on the market so far, as countries like Saudi Arabia, Iraq and Libya have made up for the loss.

The sanctions now in place are beginning to have a dramatic impact, as Iran's currency is collapsing. As a result of hyperinflation, we have seen Iran's currency exchange market become paralyzed. Licensed exchange bureaus refused in recent days to do business at the officially imposed rate of 28,500 rials to the dollar, while black market dealers were offering the dollar at a rate of 35,500 rials, sparking protests and a violent crackdown. Significantly, the ire of the protesters was primarily directed at the regime for its mismanagement, and for actions that led to sanctions in the first place.

If history is any guide, the leaders of Iran have reason to worry, as there is a correlation between hyperinflation and regime change. In Indonesia, hyperinflation and the collapse of the rupiah from 2,700 to the dollar to nearly 16,000 over the course of a year was one of the principal sources of discontent, which brought people out to the streets to overthrow the Suharto regime. In the case of Yugoslavia, hyperinflation was the motivating force that led Slobodan Milosevic to start a war to divert attention from the monetary crisis facing the country -- a war that led to his ultimate defeat.

Regardless of the precipitating event, hyperinflation can signal the death knell of a regime. We often forget that a "Persian Spring" preceded the Arab Spring, and that Iran has not only restive minorities, but a restive middle class frustrated with a corrupt theocratic regime, culminating in protests over the 2009 election. If the regime faces increased and durable hyperinflation, Iran's demographics suggest that the mullahs' brutal hold on power could face serious challenges.

At this critical stage, it is time for U.S. and EU policymakers to do all they can to build upon and ensure the durability of Iran's hyperinflation. The best way to do so is by implementing a total economic blockade that would pit the vast purchasing power of the world's two largest economies against that of Iran. Such an economic blockade would bar any business, firm or entity that does work in Iran from receiving U.S. and EU government contracts, accessing U.S. and EU capital markets, entering into commercial partnerships in the U.S. and EU or otherwise doing business in the U.S. and EU. The result would be an immense economic barrier to entry into Iran's marketplace, and would place unprecedented pressure on the rial.

Other steps to pressure the rial could be taken as well. As the rial devalues, Iranians seek the safe haven of dollars and gold in the currency markets of Afghanistan and Iraq and the gold markets in Turkey. Stemming the ease of accessibility to dollars and gold would further pressure the rial. Other creative ideas include impeding the flow of sophisticated currency printing technology and other products that have been previously provided to Iran's central bank by European vendors. In fact, recently the German currency printer Koenig & Bauer AG announced the cessation of its provision of bank note printing equipment and services in Iran under pressure from United Against Nuclear Iran, seriously impeding Iran's ability to manipulate its money supply and maintain the integrity of the rial.

It is time to present the mullahs in Iran with a clear choice -- they can forego a nuclear weapon or they can have a functioning economy. To be sure, there is no guarantee that even a total economic blockade will prevent Iran from changing its strategic calculus to develop a nuclear weapons capability. But as the prospects of war over the next months increase, does the international community not owe it to itself to say it has exhausted all other options? It surely makes sense to try, particularly since we have seen the impact current sanctions are having on the regime. And the human cost of hyperinflation, though at times great, is far less than those of a nuclear-armed Iran or a preemptive military conflict.

Ambassador Mark D. Wallace is CEO of United Against Nuclear Iran. He served as U.S. Ambassador to the United Nations, Representative for U.N. Management and Reform.

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US AND PARTNERS PREPARE MODEST OFFER TO IRAN

Barbara Slavin.

[Al-Monitor](#), Dec 19, 2012

Weeks of deliberations among the United States and its fellow negotiators have produced an offer to Iran very similar to the package Iran rejected last summer, casting doubt on chances for breaking the long stalemate over Iran's nuclear program.

The "refreshed" proposal includes spare parts for Iran's aging Western jetliners — a perennial carrot — and assistance with Iran's civilian nuclear infrastructure but no specific promise of sanctions relief, Al-Monitor has learned. Perhaps as a result, Iranian officials appear to be in no hurry to agree to a date to meet again with the so-called P5 +1 – the five permanent members of the UN Security Council plus Germany.

Following US presidential elections, US officials began mulling a more generous proposal but have settled for a conservative position. Iran will be expected to agree to concessions before knowing exactly what it would get in return. Iran has been sending mixed signals in advance of new talks. Foreign Minister Ali Akhbar Salehi said Monday [Dec. 17]: "Both sides ... have concluded that they have to exit the current impasse," and that "Iran wants its legitimate and legal right and no more." But Fereydoun Abbasi-Davani, the head of Iran's Atomic Energy Organization, said Tuesday [Dec. 18] that Iran would not stop enriching uranium to 20% U-235, a key international demand.

Another factor reducing expectations for upcoming negotiations is Iran's reluctance so far to agree to a one-on-one meeting with the United States at which the Obama administration might be more forthcoming than in a multilateral setting. Both sides appear to be unwilling to undertake major risks, diminishing the chances for a breakthrough or a breakdown of negotiations. The US and its

partners appear to feel that time is on their side as economic sanctions bite deeper into the Iranian economy. Iran, meanwhile, is amassing larger quantities of low-enriched uranium that could improve its bargaining position down the road.

There is also the question of transition in both countries. Although Barack Obama was re-elected president, he will be naming new secretaries of state and defense soon and there may be a new US negotiating team. Iran is beginning to gear up for its own presidential elections next year and jostling has already begun within the conservative elite over who will replace Mahmoud Ahmadinejad. However, Supreme Leader Ayatollah Ali Khamenei remains the ultimate decision maker.

Patrick Clawson, an Iran specialist at the Washington Institute for Near East Policy, said he has been told that the Obama administration has “a firm determination not to let the [US] transition slow down the process.” While some members of the US negotiating team are departing, the head negotiator, Undersecretary of State Wendy Sherman, is likely to stay on for at least a while and has a good relationship with Sen. John Kerry, D-Mass., the probable nominee to replace Hillary Clinton as secretary of state.

A bold offer to Iran would require President Obama to spend political capital that he may prefer to use for other purposes including avoiding the so-called “fiscal cliff,” getting his nominees for a new Cabinet approved and now in the wake of mass shootings at a school in Connecticut, gun control.

Barbara Slavin is Washington correspondent for Al-Monitor and a senior fellow at the Atlantic Council, where she focuses on Iran.

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2013: THE YEAR OF IRAN

David Horowitz

[Times of Israel](#), December 19, 2012

We’ve been saying it for years: This coming year represents the moment of truth on Iran. Except that this year, it’s for real: 2013 represents the moment of truth on Iran. The year the Iranians pass the point of no return in their drive to the bomb. Or the year, one way or another, they are dissuaded.

It’s the now or never year. But will it be now or never? Speak to some of those who claim to know Barack Obama best of all, and the response is definitive. The president is not bluffing. He means it when he says he will thwart a nuclear Iran by whatever means necessary — up to and most certainly including the use of force. This is not about protecting Israel, or rather not just about protecting Israel. It’s about American credibility. It’s about American interests throughout the Middle East — defending those interests against an Iranian regime that is already ideologically and territorially rapacious and that would be terrifyingly more potent if its ambitions were backed by a nuclear weapons capability. And it’s about the president’s sense of his historic obligation and legacy — Obama as protector, pushing hard now for gun control at home, and determined to reduce, ideally eliminate, the nuclear peril worldwide.

Speak to some of the president’s bitter political rivals, and the assessment is withering. An Obama resort to force? Not a snowball’s chance in hell. Forget the fine rhetoric about containment not being an option. This is a president bent on extricating the United States from combat zones, not plunging his forces into new military misadventures. This is a president who knows the electorate

shudders at the prospect of confrontation with Iran.

This is a president who wants to appoint Chuck Hagel, firm opponent of a resort to force against Iran, as his next defense secretary. This is a president who had to be dragged into Libya by the French and the British, and who hasn't lifted a finger as Bashar Assad waged war in Syria for almost two years. This is a president whose commitment to Israel can be gauged by his readiness to pick a major fight with Benjamin Netanyahu over building in an established ultra-Orthodox neighborhood of East Jerusalem (Ramat Shlomo) two years ago, a president who couldn't spare half an hour for Netanyahu in the US this fall, even as he was insisting Israel hold its fire on Iran and thus entrust its security to him.

So which Obama are we betting on? The stakes for Israel could hardly be higher. The coming months will provide ostensible evidence for both assessments. The US will engage in new efforts at diplomacy, insisting it is seeking a negotiated solution to the standoff.

A necessary precursor to a US-led resort to force, some will say. It is typical of Obama, they will argue, that he is both exhausting all other options, and being seen to exhaust all other options, in order to maximize perceived international legitimacy and support for armed intervention when — not if — he gives the order to strike.

Far from it, others will counter. Diplomacy and more diplomacy and more diplomacy — that's the Obama way. And when it's too late, the president will tell his public that he tried — that he pleaded and cajoled and demanded. That he did everything short of military action. But that Iran would not be budged. And that he opted not to resort to a preemptive military strike, recognizing that the America that just reelected him would have been horrified by such action, and that he is confident the Iranians would not dare target the United States.

Where do these absolutely conflicting assessments leave Israel? Worried. Wary. Uncertain. It's just possible that the two leaders, despite their frustrations with each other — “you did your best to help my rival”; “you've never really understood the challenges my country faces” — have reached a private understanding. If so, it could only be in the form of a pledge by Obama to Netanyahu: If the Iranians haven't suspended the program by this or that date in 2013, America will strike.

That could explain the relative absence of bitter rhetoric emanating from Jerusalem these past few months. No more talk of the need for US-set red lines. No more dismal daily declarations from the prime minister that sanctions haven't slowed the Iranian program “one iota.” It would explain the cessation of US administration warnings to Jerusalem to hold fire, the cessation of off-record briefings by administration officials warning Israeli journalists that their government is flirting with disaster, bringing the region to the brink of apocalypse.

Or it could be that there are no understandings — merely that, their public sparring over, the American and Israeli leaders have retired to their respective corners, a little bruised but far from broken, to plan their next moves. If so, the dilemma for Netanyahu — who surely wanted to hit Iran last summer, but was derailed by the weight of opposition from the US and from his own security chiefs present and past — is unenviable, indeed. Existentially unenviable.

If he heeds the assessments of those Obama confidantes, watchers and friends who believe the president does have the stomach to order in the bombers, then just maybe he dares let Israel's already much-narrowed window of opportunity to thwart Iran close altogether — even though to do so is to place Israel's destiny in the hands of others, a breach of every independent Zionist fiber of the prime ministerial being.

And if he heeds the Obama critics, the insiders and the observers who scoff at the notion of a presidential resort to force, he will be preparing for a desperate, immensely risky utilization of Israeli military power, unprecedentedly far away, on targets hardened against precisely such intervention, over the objections of Israel's greatest ally, with potentially catastrophic repercussions even if everything goes as planned.

He will be torn, furthermore, between a certain fealty to his late father's fierce mindset — confront the threat, take action, use the Jewish nation's hard-won restored sovereign power to strike down the latest advocates of Jewish genocide — and his own far more cautious inclinations, his tendency to talk the talk (on defying international pressure on settlements, refusing to negotiate with terrorists, ousting Hamas) but not always walk the walk. He'll know he could be saving Israel, or he could be dooming it. We'll all find out, it rather seems, in 2013.

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CHANGES TO CANADA'S TERROR LIST A SHOT ACROSS IRAN'S BOW

Campbell Clark

[The Globe and Mail](#), Dec. 20 2012

The Canadian government has listed the clandestine branch of Iran's Revolutionary Guard as a terrorist organization and, at the same time, removed a controversial Iranian opposition organization, the People's Mujahedin, from the terror list. The two moves together mark an effort to label, isolate and pressure Iran, with whom Canada broke off ties earlier this year.

Public Safety Minister Vic Toews announced in a statement that the Quds Force of the Revolutionary Guard, a clandestine arm of the elite military unit that exerts powerful influence over Iran's government and economy, has been added to the list. It was added for providing arms and training to terror organizations including Hezbollah, Hamas and Palestinian Islamic Jihad, he said.

"The listing of terrorist entities sends a strong message that Canada will not tolerate terrorist activities, including terrorist financing, or those who support such activities." That listing makes it illegal for Canadians to support or finance the organization, although that is likely to be a largely symbolic step in this case. Earlier this year, Ottawa declared Iran a state sponsor of terrorism and it recently imposed sanctions that limit doing business with the Revolutionary Guards.

But the Canadian government also took another step aimed at backing opponents of the Tehran regime, by removing the Mujahedin-e-Khalq (MEK), or People's Mujahedin, from the terror list. The MEK, once one of the groups involved in Iran's 1979 revolution, has long been included on the terror list, but Western nations, considering it an opponent of the regime in Tehran, have started removing it from lists of terror organizations. The European Union stopped listing the MEK as a terror group in 2009, and the U.S. followed suit in September of this year.

But the MEK remains controversial, as human-rights groups have accused it of abuses at its camps in Iraq, and some dissidents within Iran dislike the West's recent willingness to accept the group's activities.

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ON TOPIC

Congress Approves New Iran Sanctions, Missile Defense Funding: *JTA*, Dec. 24, 2012—The final version of a defense funding act headed for President Obama's desk includes enhanced Iran sanctions the president opposed as well as additional funding for Israel's missile defense.

' Hamas Preparing for West Bank Takeover: *Jerusalem Post*, Dec. 23, 2012— Hamas leader Khaled Mashaal instructed the terror group's sleeper cells in the West Bank to prepare themselves for armed struggle to take control of the Palestinian territory, The Sunday Times reported.

Iran's Conservatives Push For A Deal: Ray Takeyh, *National Interest*, Dec. 21, 2012—As Washington contemplates another round of diplomacy with Iran, an intense debate is gripping the Islamic Republic's corridors of power. An influential and growing segment of Iran's body politic is calling for a negotiated settlement of the nuclear issue. Such calls have transcended the circle of reformers and liberals and are increasingly being voiced by conservative oligarchs.

Feeling the Pain in Tehran: Nazila Fathi, *Foreign Policy*, Dec. 21, 2012—Iran's Ministry of Intelligence did something remarkable last month: It used its website to publish a report (link in Farsi) calling for direct talks with the country's foe, the United States. In the report, entitled "The Zionist Regime's Reasons and Obstacles for Attacking Iran," the traditionally hawkish ministry highlighted the benefits of diplomacy and negotiations with the United States: "One way to fend off a possible war is to resort to diplomacy and to use all international capacities."

Christianity 'Close to Extinction' in Middle East: Edward Malnick, *The Telegraph*, Dec. 23, 2012—Christianity faces being wiped out of the "biblical heartlands" in the Middle East because of mounting persecution of worshippers, according to a new report. The most common threat to Christians abroad is militant Islam, it says, claiming that oppression in Muslim countries is often ignored because of a fear that criticism will be seen as "racism". The report, by the think tank Civitas, says: "It is generally accepted that many faith-based groups face discrimination or persecution to some degree. "A far less widely grasped fact is that Christians are targeted more than any other body of believers."

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