

Financial Corruption in Iran

By

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March 02, 2013 "Information Clearing House" - While the US government is controlled by the super-wealthy class that constitutes about one percent of its population, Iran is controlled by a few Islamic clerics, their relatives, and cronies who came to power following the Iranian revolution in 1979. The popularly elected president in Iran has much less power than the clerics who control the Islamic regime.

The five Larijani brothers are a part of the clerical oligarchy in Iran; two of them Ali and Sadeqh respectively head the legislative and the Judiciary branches of the government; the third brother Javad Larijani is the head of a human rights council; the fourth brother Bagher Larijani has held various posts in the government; and the fifth brother Fazel Larijani was a diplomat. Ali Larijani has at least 20 members of his family including two cousins and a brother-in-law in the Iran's parliament backing him. [\[1\]](#) Larijani brothers have very good relations with London and Washington. Their friendly family relations with the British go back to 1920s when the British were ruling Iraq and their friendship has continued to the present time. [\[2\]](#)

Financial Corruption in the Islamic Republic

Corruption in the Islamic Republic is nothing new; what was unprecedented was its revelation at a high level on the floor of the Iranian parliament by the President of the Islamic Republic. On February 3, 2013, President Mahmoud Ahmadinejad dropped a bombshell that shook the citadel of Iran's clerical oligarchy. He played a video tape in the Iranian parliament that tied the heads of two branches of the government, the legislative and judiciary, to a documented financial corruption case related to the Larijani brothers. It was revealed to the public that Fazel Larijani is using his brothers' influence to benefit from the state lucrative projects and receives kickbacks and bribes. The news has been widely reported and there is no need to describe it here (for example see New York Times). [\[3\]](#) The revelation of the corruption was a part of the battle that the president, the son of a blacksmith, is engaged in with the clerical oligarchy that holds power and has tried to marginalize the power of the president.

Two weeks later on February 18, 2013, in what appeared to be an act in retaliation to Ahmadinejad, the Iranian supreme court hastily upheld death sentences by hanging for three businessmen and a banker in a high-profile financial corruption case. The death sentence for a corruption case is unprecedented in the Islamic Republic. The accused in the case had been investigated by the judiciary headed by Sadeqh Larijani. The case involved \$2.8bn fraud by Mah-Afarid Khosravi, the CEO of a steel company who is accused of accumulating billions of dollars of wealth by financial scams. The court found Mah-Afarid Khosravi guilty of "disrupting the economic system", according to Gholam-Hossein Mohseni-Ejei, the judiciary spokesman. [\[4\]](#) Khosravi allegedly forged letters of credit from Bank Saderat, a partially state-owned bank, and gave the fake documents to seven other banks, including Bank Melli, Iran's largest state-owned bank. Also, Behdad Behzadi and Iraj Shojaei, Khosravi's deputies for legal and financial affairs

respectively, and Saeid Kiani-Zadeh, head of a Bank Saderat branch in the southern city of Ahvaz, were sentenced to death on similar charges. Others involved in the case received long prison sentences. It had also been attempted to link the case to Esfandiar Rahim Mashaei, the president's Chief of Staff. But no such connection was announced by the court. The Iranian political observers think that the court issued the sentences hastily in retaliation to Ahmadinejad's revelation of the documented corruption case involving the Larijani brothers.

At present, the criticisms against the Islamic regime and especially the clerics in the judiciary have reached to highest levels since the Iranian revolution in 1979. Iran has the highest rate of executions per capita in the world according to Human rights groups. The UN special correspondent Ahmad Shaheed says the number of executions in 2011 was 670.^[5] For thefts, the sentences include amputation of fingers on one hand for the convict which makes it difficult for him to work for the rest of his life. Also, just a few weeks ago two young men were summarily tried and hanged in public in Tehran for a minor street robbery. Even assuming validity of the charges, such gruesome punishments cannot be justified.

However, harsh punishments are only for persons outside of the clerical oligarchy. Although for minor offences there are harsh sentences for the general public, corruption at the top level goes unpunished. Top officials, their family members, and their cronies use their influence to get government contracts, loans, etc. Corruption by the clerics and members of their families is nothing new; it has existed since the 1979 revolution.

It has been widely known for many years that some top clerics in the Islamic Republic and their cronies have been engaged in corruptions and abuse their power for financial gains. What has become quite appalling to the public is that whenever the clerics or members of their families are caught in scandals, the persons who reveal them are punished, and the members of the clerical class never receive punishment and cases against them are not investigated. Here are some publicized corruption cases involving the clerics' families.

In June 2012, more than 12 confidential letters were leaked to an Iranian opposition website, Bamdadkhabar, which showed how Javad Larijani had taken over public lands in over two decades. Based on the confidential letters received by Bamdadkhabar, the Larijani family illegally took possession of some 342 hectares (845 acres) of public lands in the outskirts of the city of Varamin and used the lands for keeping livestock (900 sheep and 200 camels). These documents show public lands were illegally confiscated by Javad and Sadegh Larijani.^[6] However, all the letters issued by the Bureau of Natural Resources and the local court orders to take action against Javad Larijani have been ignored or dismissed.

Also, the family members of Ali Akbar Hashemi Rafsanjani who is a cleric and a former President of Iran have been involved in a number of large financial bribes since the revolution. During 2002/2003, officials at the big Norwegian company Statoil paid more than \$15 million in "consulting fees" to Mehdi Hashemi Rafsanjani, one of the five children of Rafsanjani. Statoil secured lucrative oil contracts by bribing Mehdi. This was achieved by using a front company named Horton Investment that had been set up by Mehdi. Statoil paid \$15.2

million to Horton to win contracts to develop the offshore platforms in the South Pars gas field phases 6, 7 and 8.[\[7\]](#)

Mehdi had also accepted bribes from the French Oil Company Total when the company signed the South Pars gas field, phase 1 contract with Iran in 1997. Mehdi at that time was president of Iran Gas Company. In what was revealed in 2007, Christophe de Margerie, the head of the French oil company Total was arrested on the charge that his company had bribed Mehdi Hashemi-Rafsanjani to get lucrative oil contracts. [\[8\]](#) The investigators found that 95 million Swiss Francs (\$78 million) went into two accounts in Swedish banks, which belonged to a person acting as the mediator between Total and Mehdi Rafsanjani. Total deposited the money to the account of Bijan Dadfar who was an Iranian living in Switzerland working for Mehdi.[\[9\]](#)

Like the Larijani brothers, the former president Akbar Hashemi Rafsanjani and his family members have good relations with the British. For example, Rafsanjani's son, Mehdi, took sanctuary in London for a while before he returned to Iran in September 2012.

People had long complained about corruption in the Islamic regime and especially in the oil ministry, and about privatization of state assets, but no one had dared to openly discuss these issues. President Ahmadinejad stated during his presidential campaign in 2005 that he would fight corruption, but he was unsuccessful to deliver his promises during his first term. That was partly due to the Supreme Leader Ali Khamenei's objections and insistence that corruption by the officials should not be revealed to the public.

In 2008, Abbas Palizdar, a former parliamentary investigator, revealed the names of some clerics and their affiliates who had abused their power for financial gains, in two subsequent speeches he gave in two universities. The charges included embezzlements, accepting bribes, and receiving public properties free or with substantial discount on receiving credits.[\[10\]](#) Instead of investigating the alleged corruption charges against the accused officials and their cronies, Palizdar himself was arrested and imprisoned on a minor charge of not paying back a government loan.

Another corruption case was raised in 2001 that involved Shahram Jazayeri and Nasser Vaez-Tabasi. Jazayeri, a businessman, was the primary defendant in a major corruption case involving 50 defendants, many of them sons of prominent clerics. Nasser Vaez-Tabasi, the son of a powerful cleric who is the head of Imam Reza Shrine Foundation (Astan-e Qods-e Razavi), was immediately released after his July 2001 arrest for illegally selling shares in a state-owned enterprise. He and his co-defendants were acquitted in March 2003 for the reason that they were not aware of the law. In 2009, Ahmadinejad brought the issue of corruption to the peoples' attentions during the presidential debates. It was shocking when in front of the camera; Ahmadinejad asked Mehdi Karroubi, a cleric and presidential candidate, about three hundred thousand dollars he had received from Shahram Jazayeri, the businessman who had been involved in a massive corruption case with the Iranian government. Karroubi admitted receiving \$300 thousands from Jazayeri "for good use".

These were just a few cases showing how the clerics and their family members go scot-free when it comes to corruption but others are severely and often quite unjustly punished.

Ahmadinejad's recent revelation in the Majles was a powerful shot at the heart of the clerical oligarchy in Iran. It remains to be seen whether the Iranian judiciary is prepared to go for the executions of the Iranian businessmen and continue with hanging the Iranian youth for minor charges now that the public has been alarmed and is quite upset about the depth of corruption in the clerical oligarchy and in particular in relation to the Larijani brothers, one of whom is the chief justice in the Islamic Republic.

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[1] Ali Larijani is the son-in-law of Ayatollah Morteza Motahhari, having married his daughter Farideh, and also a cousin of Ahmad Tavakkoli (Larijani's and Tavakkoli's mothers are sisters)

[2] Amir Taheri , New York Post, May 298, 2011,

http://www.nypost.com/p/news/opinion/opedcolumnists/princes_of_persia_3THrlbjFc1QW8oJmWdA5dO

[3] New York Times, Februar 4, 2013, http://www.nytimes.com/2013/02/05/world/middleeast/high-level-feud-bares-tensions-in-iran.html?_r=0

[4] Kayhan, February 17, 2013, Also Financial Times, February 18, 2013 5:53 pm

By Najmeh Bozorgmehr. <http://www.ft.com/intl/cms/s/0/8423db34-79db-11e2-9015-00144feabdc0.html#axzz2MuC3gped>

[5] <http://www.shaheedoniran.org/english/>

[6] <http://bamdadkhabar.com/2012/06/6813/>

[7] http://en.wikipedia.org/wiki/Statoil_corruption_case

[8] http://www.nytimes.com/2007/03/27/business/worldbusiness/27total.html?pagewanted=all&_r=0

[9] <http://www.reuters.com/article/2007/03/21/us-total-corruption-idUSL2139546920070321>

[10] LA Times June 10, 2008, Daragahi, Borzou, <http://latimesblogs.latimes.com/babylonbeyond/2008/06/iran-ayatollahs.html>