

Rouhani's Iran: Moderation under Pressure

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Abstract: The re-election of incumbent president Hassan Rouhani must be read as a mandate for the continuation of his policy of de-escalation, both domestically and in foreign policy. That said, old challenges remain, such as a radical-populist domestic opposition, its resistance to economic reforms, and increasing tensions with Saudi Arabia.

President Rouhani was re-elected in May this year despite having been criticized for being too aloof vis-à-vis the lives of ordinary people, and in spite of mounting frustration over such diverse issues as the degradation of the country's ecosystem (which, inter alia, has caused life-threatening sandstorms in Khuzestan),¹ and the slow pace of economic recovery and sanctions relief. Even so, the incumbent president has managed to hold the reformist alliance together and successfully marshal its votes. This alliance consists of several political movements from technocratic pragmatists, who are well organized in the state bureaucracy as well as in business, to urban liberals, moderate Shiite Muslims, and Iran's large Sunni community.² Lacking a political organization of his own—not uncommon for politicians in Iran—Rouhani could nevertheless count on the unanimous support of the technocrats and followers of the late Ayatollah Rafsanjani, while former President Mohammad Khatami brought out the urban votes plus the Islamic moderates and the liberals, and Iran's highest-ranking Sunni leader, Sheikhu-Islam Moulavi Abdulhamid Esmailzahi whipped up Sunni vote.³ The result was therefore a typical reformist electoral pattern, with strong support in the big cities and the border provinces, and a weaker showing in the more Persian or rural provinces and in Khorasan.

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Ahmadinejad Unwelcome

Rouhani's opposition was hampered by internal quibbles about leadership and the reappearance of Iran's only true populist politician, Mahmoud Ahmadinejad.⁴ His blend of Iranian nationalism and non- (or some might even say, anti-) clerical Shi'ism reflects the feelings of many in the poorer echelons of Iranian society, who take his anti-establishment stance at face value. At the same time, he is the only candidate who has exposed the weaknesses of Iran's electoral system by challenging the Supreme Leader head-on. After having been advised not to run for the presidency again, Ahmadinejad quite confidently announced his candidacy anyway, something no-one else would have dared to do.⁵ He thus rather unobtrusively reminded the Iranian public that the Supreme Leader's patriarchal advice was not legally binding, and hence he could apply to be a candidate—even if, in the end, he was blocked by the Guardian Council. In doing so, Iran's former president, perhaps unwittingly, strengthened Iran's institutions vis-à-vis the Supreme Leader.

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Raisi: The New Man

With Ahmadinejad out of the game, Rouhani's opponents decided to support the cleric Seyyed Ebrahim Raisul-Sadat, also known as Raisi. Raisi won out against candidates with roots in the Revolutionary Guards, such as Tehran Mayor Mohammad Bagher Ghalibaf and the former Ahmadinejad supporter Jalili, who is an acolyte of the Qom-based radical

Ayatollah Mohammad Mesbah-Yazdi. Raisi, too, is a cleric, and some hardline followers from the Hezbollahi camp already saw him as a potential successor to the Supreme Leader. Using extremely illiberal, Islamist political rhetoric, he was able to whip up emotions and to rally the majority within the radical Islamist spectrum. That said, in reality Raisi represents vested economic interests hidden behind egalitarian Islamist political language. Ebrahim Raisi is the custodian and chairman of Astaneh Qods-e Razavi in Mashhad, Iran's biggest pious foundation (bonyâd) – and there's the rub.

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A Distorted Market and the Fight Against Corruption

The bonyâd-system consists of a handful of important economic and politico-economic conglomerates that control the better part of Iran's economy. They also finance and sometimes employ gangs of Hezbollahi strongmen. Their overall performance varies, but, in general, both national and international economists view their impact on Iran's economy negatively; with no oversight possible, red tape and outright corruption are rampant,⁶ and as they are tax-exempt and have access to vast financial resources, and they often conduct hostile takeovers of the few functioning private enterprises left, thus distorting markets and discouraging free enterprise. Rouhani's agenda is exactly the opposite, namely the promotion of economic rationalism through the strengthening of free private businesses and the fight against administrative and other forms of corruption.



Until now, Iran's fight against corruption has produced rather meagre results. Nobody, however, should doubt the government's dedication in this area. A task force headed by Vice President Eshaq Jahangiri was so efficient that it led to massive attacks against him in parliament—President Rouhani even had to find a pretext to cancel his state visit to Austria in 2016 in order to save his vice president from being deposed by radical parliamentarians.⁷

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The Rule of Law and the Citizen's Charter

The fight against corruption and the support for a free domestic market are part of a broader agenda; the implementation of the rule of law, which is to be achieved by passing laws which can actually be applied and which focus on citizens' needs and demands.⁸ This was laid down in the Citizens' Charter (manshur-e shahrivandan) manifesto. Immediately after the Charter's publication in 2013, resistance from the Hezbollahis began. They understood the Charter as favoring citizens' rights over revolutionary fervor, and thus as threatening their own room for maneuver and their right to action vis-à-vis society; it is they who take religious law into their own hands and harass the population through punishing 'sinners' in public without any legal basis. The rule of law would outlaw their actions, hence provoking their resistance. They have found an ardent supporter in Ayatollah Alamolhoda, who leads Friday prayer in Mashhad. Together they have attacked signs of cultural liberalization, such as concerts permitted by Rouhani, in order to distract his political energy away from his

reform agenda. The fact that Alamolhoda is Raisi's father-in-law makes the centrality of bonyâd interests in these actions even more clear.

Reforms in Spite of Terrorism

Keeping a lid on the almost uncontrollable Hezbollahis and their financial backers within the bonyâd system puts a constant strain on Iran's security forces, especially the police (NAJA). This pressure comes at a moment when the terrorist threat within Iran is mounting. In general, foreign and Iranian observers are both noting increasing radicalization within Iran's Sunni community (approximately 20% of the population, especially in Kurdistan, Baluchestan, Turkmen Sahra, and among some Arabs). The government and the security apparatus are also well aware of the risks of becoming entangled in neighboring conflicts. Radical jihadism has already taken root among the Kurds of Iraq and elsewhere, and it was only a question of time until it reached Iran.⁹

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The gruesome attacks at the shrine of Imam Khomeini and the parliament in Tehran were well planned and aimed at a much higher casualty rate.¹⁰ Iran's reaction was proportionate to the threat: in the days after the attack, several missiles were fired against the Syrian ISIS stronghold of Deir ez-Zor, allegedly killing the planners of the operation.¹¹ It can be expected that Iran's security services will face a major shake-up as a result of this incident. However, at no point was the functioning of Iranian state



institutions threatened—parliament coolly continued its session while there was still shooting in the building, and the Supreme Leader immediately framed the narrative of events in a way that made it clear that the Sunni community and the Kurds were not to be blamed for an act of terrorism planned and carried out by ISIS.¹² Most importantly, Rouhani's provincial reforms were not stopped.

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These reforms aim to address the cultural and economic grievances of the Kurds and the Baluch communities, which are the most important Sunni ethnic groups in Iran.¹³ At the same time, they aim to guarantee the local population a bigger say in the provincial administration, regardless of ethnic origin. In doing so, Iran's reformers hope to create a more responsible and flexible mode of governance. Reforms, however, need time, and these experiences must be evaluated before reforms can be implemented elsewhere in the country.

Regional Consequences – Competition with Saudi, Containing the PKK in Syria

One of the major accusations voiced in the aftermath of the Tehran terrorist attacks came from the Revolutionary Guards, who held Saudi Arabia and the U.S. responsible. Whether they really believed this or not, they did not overreact.¹⁴ Iran and Saudi Arabia are, of course, competitors in the region; it is, however, an asymmetric kind of competition, because for Saudi Arabia, Yemen is a vital conflict, but this is not the case for Iran. The Islamic Republic's main security and strategic interests are the theatres of Syria and Iraq. There, Iran faces a mixed picture of temporary

successes and a high risk of future setbacks, all depending on U.S. strategy. In Syria, with Iranian and Russian help, the government seems slowly but surely to be winning the upper hand in the more populous western part of the country. Rojava, the Kurdish region of Syria, however, is firmly under the control of the YPG (a PKK affiliate), which is supported by the U.S. military—quite ironic for third world anti-imperialist guerillas.¹⁵ In general, the PKK and Iran are observing a shaky truce as long as there are bigger fish to fry. This may change, for instance, should the PKK's Iranian branch take a more assertive stance inside Iran. In this context, much will depend on whether the U.S. will drop its support for the YPG after Raqqa and Deir ez-Zor have been liberated. For the time being, this scenario seems highly unlikely and many observers have begun hinting at a changed political discourse in Turkey, which they read as a slow coming to terms with the reality of a Rojava under U.S. tutelage.¹⁶ In this case, the PKK as a whole might try to renew its legitimacy by positioning itself against Iran and hoping for continued U.S. backing. If this were to happen, Tehran will do its utmost to convince Syria and Turkey to finish off Rojavan self-rule.

Preventing Kurdish Self-Determination

Regarding the Kurdish question in Iraq, Iran, like Turkey and Iraq, opposes any attempt by the Kurdistan Regional Government (KRG) to declare independence. Tehran has already threatened the KRG with military intervention, although a more subtle approach using proxies and economic pressure is much more likely.¹⁷ However, Tehran's preferred modus operandi would be to encourage NATO member Turkey and/or the Iraqi government to act in their own self-interest and to take matters in their own hands by blocking Kurdish independence without direct Iranian involvement. Be this as it may, Iran has to hedge its bets carefully so as to be able to shape future events in



the Kurdish theatre, in order to prevent a deterioration of the situation in its own Kurdish regions.¹⁸ As of now, Tehran does not take seriously the Saudi expressions of support for an independent Kurdistan. Riyadh is not in a position to give the Kurds the necessary military, diplomatic and political support they would need to bolster their future independence against all odds, while the Kurdish public also does not hold Saudi Arabia and its princes in high esteem.

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Saudi Arabia and the Qatar Crisis

Yet, Tehran knows very well that Saudi ambitions are primarily guided by its aim to roll back Iranian influence everywhere, and it is in this context that Iran reads the Qatar crisis. The small desert state managed to pursue a self-assured and independent course between Saudi Arabia and Iran.¹⁹ Well-equipped, with economic and diplomatic clout and using the Al-Jazeera news-channel as its main source of soft power, Doha was able to maintain cordial relations with Iran, Israel, and the U.S. It also made Turkey a strategic partner. Both countries supported the Muslim Brotherhood takeover in the region, notably in Syria, which put them firmly in opposition to Tehran. At the same time, Qatar is competing with Iran in the critical gas sector; it is home to a small Turkish military base, and to one of the biggest U.S. Air Force bases in the region. In other words, nothing in Qatar's strategic disposition indicates that relations with Tehran would

be closer than those of correct neighbors. Yet this was one of the main accusations leveled by Saudi Arabia and the United Arab Emirates against Qatar.²⁰ A sober reading of the ultimatum presented to Doha shows that the other Gulf states' true aim is to destroy Qatar's independent foreign policy. Tehran has reacted to the land blockade imposed by Saudi Arabia by immediately securing trade in foodstuffs and other goods via the sea. As of now, there is still no indication the Rouhani government is planning to exploit the Qatari situation; however, depending on the duration of this crisis, Iranian restraint cannot be taken for granted. Even so, talks about an axis between Turkey, Qatar, and Iran are baseless, because these do not integrate Israeli and U.S. interests into the picture. Tehran is well aware of Qatar's disposition and hopes cooler heads will prevail and that the U.S. will check the ambitions of Saudi Arabia's youngish crown prince.

Conclusion

The Rouhani government has shown goodwill at home and abroad. The future development of Iranian domestic and foreign policy will partially depend on how Iran's domestic radicals can be checked and partially on developments on the ground in the region, where Iran is assertive, but not capable of dictating a pax persica on its own terms. Instead, it still has to find a way of coexisting with the U.S. It is in the European interest that this coexistence continues even after the defeat of ISIS.

Whilst many other state-owned or partially state-owned businesses should be delisted, enterprises owned by the bonyâds should either remain on the list, or, if they are not listed, investors should at least be informed about the risks involved in dealing with them



That said, from a European perspective it is worth considering the following priorities regarding Iran:

■ Given the fact that the Rouhani government has lived up to the JCPOA and has made continued efforts to strengthen good governance against grave domestic resistance, the EU should use its influence within the international community to fulfill its part of the bargain; this concerns sanctions relief and, especially, the ending of financial sanctions.

■ Future investments in Iran should not be undertaken through the bonyâds, given their unclear legal status and shadowy politico-economic and semi-criminal networks. Whilst many other state-owned or partially state-owned businesses should be delisted, enterprises owned by the bonyâds should either remain on the list, or, if they are not listed, investors should at least be informed about the risks involved in dealing with them.

■ The situation in Kurdistan is too important to be ignored. It is therefore necessary to review existing Kurdish policies at the EU level regarding both Kurdistan in Syria and in Iraq. In both cases, decisions have to be prepared which range from accepting self-rule or independence to rejecting it. In either case, reactions must be properly anticipated, at home and in the region. By the same token, Turkey and Iran should be consulted on the basis of mutual respect.

■ The post-ISIS phase in the region will allow for a short regrouping phase; the EU must seize this opportunity to create a mechanism for mutual consultations involving all important actors in the region. In this context, package deals involving other conflicts such as Ukraine should be avoided.

■ The EU should review its old Iran strategy

papers, this time against the backdrop of a region in flux, with Iran as a potential security partner helping to stem chaos. Yet it must be clear from the beginning that an agreement—whether verbal or written—that reflects the security interests of all major countries must be part of any such deal.

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Endnotes:

1- Iran is one of the few countries in the region to take ecological challenges seriously and to grasp their strategic dimensions. In July 2017, Iran's Department of Environment, together with the UN, addressed this problem at a high level conference in Tehran. See: <https://www.un.org.ir/resources/sand-and-dust-storms> and <https://www.doe.ir/Portal/home/?732762/>

2- On Iran's reformists see Walter Posch, *A Last Chance for Iran's Reformists? The "Green Struggle" Reconsidered*, SWP Working Paper 2 Berlin 2010, pp. 2-4 (general), 17-20 (clergy), 34-39 (women and workers in the "Green coalition") on Sunni- Shi'ite relations in Iran see Stéphane A. Dudoignon, "Inter-Confessional Relations in Iran: Conflicts and Transfers in the Aftermath of 9/11," in: Houchang Chehabi, Farhad Khosrowkhavar and Clément Therme (eds): *Iran and the Challenges of the 21st Century. Essays in Honour of Mohammad Reza Djalili*, Costa Mesa 2013, p. 96-110.

3- "Defâ-e Moulavi 'Abdolhamid az doulat-e Rouhani," [Moulavi Abdolhamid's support for the Ruhani government]," Fararu, 13 May 2017

4- Much has been written about Ahmadinejad: we have been at pains to stress his populist character in this article: Walter Posch, "The end of a beautiful friendship: Mahmoud Ahmadinejad and the Principalists," in: Houchang Chehabi, Farhad Khosrowkhavar and Clément Therme (eds): *Iran and the Challenges of the 21st Century. Essays in Honour of Mohammad Reza Djalili*, Costa Mesa 2013, pp. 50-78.

5- The site of his campaign called The government of Spring/Renewal (doulat-e bahâr) has become something of his personal political website < <http://www.dolatabahar.com/>>

6- Arron Reza Merrat, "Iran's webs of corruption prevalent, but hidden," *Al-Monitor*, 30 September 2014, more recently see Sanam Vakili and Hossein Ressam, "Iran's

Next Supreme Leader. The Islamic Republic after Khamenei," *Foreign Affairs*, May/June 2017.

7- Bijan Khajepour, "What Rouhani's done to fight corruption," *Al-Monitor*, 29 September 2015.

8- On Ruhani's reforms and the resistance against it see Walter Posch, "Islamistische Gewalt in der Islamsichen Republik Iran," in: Jasmina Rupp (ed): *Der (Alb)Traum vom Kalifat, Ursachen und Wirkung von Radikalisierung im Politischen Islam*, Vienna – Cologne – Weimar 2016, pp. 211-236, especially pp. 230-236.

9- Ali Hashem, "Iran's new challenge: the Islamic state in Persia?," *Al-Monitor*, 24 October 2016.

10- Ruhollah Faghihi, "Iran struck by first Islamic State attack," *Al-Monitor*, 7 June 2017.

11- Arash Karami, "Iran's missile strikes in Syria sent 'message' to region," *Al-Monitor*, 19 June 2017.

12- And of course, Iran's Sunni leaders distanced themselves from these attacks, see "Ahl-e Sunnat 'aleyh-e terrorism," [Sunnis against Terrorism] Fararu, 10 June 2017/

13- On Iran's ethnic question from a government perspective see Seyyed Reza Salehi-Ameri, *Modiriyat-e monâze'at-e qoumi dar Irân*, [Managing ethnic competition in Iran] Tehran 2012.

14- See Arash Karami, "The real reason Iran is pointing finger at Riyadh for IS attack," *Al-Monitor*, 15 June 2017.

15- Phil Stewart, "US to Arm Syrian Kurds fighting IS despite Turkey's Ire," *Reuters*, 20 May 2017.

16- See for instance Levent Gültekin, „Barzani, PYD, ve Türkiye'nin akıl almaz işleri," *Diken*, 21 May 2017; actually Abdullah Öcalan himself suggested Turkish-PKK cooperation over Syria, see Abdullah Öcalan, *Demokratik Kurtuluş ve Özgür Yaşama İnşa*, (İmralı Notları), Neuss am Rhein 2015, pp. 100, 101, 111, 131, 182, 233, 234, 360, 422, 423; at one point (ibid. p. 182) he even suggested a relationship between Turkey and the PYD similar to the



one existing between Iran and Hizbullah.

17- Cutting off water, namely the little Zap, seems to be Iran's weapon of preference, see "Kürdistan ile İran arasındaki su krizi çözüyor," Nerina Azad, 7 July 2017.

18- On the Iranian Kurds see Walter Posch, "Aryan Brothers and Fellow Muslims. Iranian narratives on the Kurds," in: Gareth Stansfield and Mohammed Shareef (eds), The Kurdish Question Revisited, London 2017, pp. 331-352.

19- Kenneth Katzman, Qatar: Governance, Security, and U.S. Policy, (Congressional Research Service R44533), Washington DC 29 June 2017.

20- Cf. Eduard Soler i Lecha, "The Qatar Crisis: Welcome to the Liquid Middle East," The Middle East Eye, 6 July 2017.

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