

MIDDLE EAST PROGRAM

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The Iranian Presidential Elections: What Do They Tell Us?

Introduction

Nader Mehran, Intern, Middle East Program

Iran's tenth presidential campaign was closely monitored by a worldwide audience and of particular interest to many in the United States and the West. The electoral race brought two main candidates from rival camps to vie for the presidency - incumbent President Mahmoud Ahmadinejad, the face of the fundamentalist-conservative coalition, and leading opposition candidate, former Prime Minister Mir-Hossein Mousavi, a moderate-reformist. Ahmadinejad ran on the same populist platform which won him presidential office in 2005, emphasizing public welfare, fighting corruption by Iranian elites and "oil mafias," and alleviating poverty. Mousavi called for progressive social reforms, government transparency, and the privatization of many industries. He also harnessed his reputation as a former prime minister noted for his sound man-

agement of Iran's economy during the Iran-Iraq war (1980-1988) - though he would subsequently recede from the political spotlight until declaring his intent for the presidency in March 2009.

In addition to the two leading candidates were two other contenders approved by the Guardian Council to campaign in the election. The Guardian Council is a 12-member assembly of clerics and parliamentarians in charge of supervising elections and approving candidates deemed worthy by Islamic standards. These contenders were Mehdi Karroubi, an outspoken reformist cleric and two-time speaker of Parliament (*Majlis*) who placed third in the 2005 election, and Mohsen Rezai, a moderate-conservative and former General Commander of Iran's elite Revolutionary Guards Corps (IRGC).

From the start, Ahmadinejad faced tough competition from his three challengers. All had played important roles in the Islamic republic and in the construction of the theocratic sys-

About the Middle East Program

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The Middle East Program was launched in February 1998 in light of increased U.S. engagement in the region and the profound changes sweeping across many Middle Eastern states. In addition to spotlighting day-to-day issues, the Program concentrates on long-term economic, social, and political developments, as well as relations with the United States.

The Middle East Program draws on domestic and foreign regional experts for its meetings, conferences, and occasional papers. Conferences and meetings assess the policy implications of all aspects of developments within the region and individual states; the Middle East's role in the international arena; American interests in the region; the threat of terrorism; arms proliferation; and strategic threats to and from the regional states.

The Program pays special attention to the role of women, youth, civil society institutions, Islam, and democratic and autocratic tendencies. In addition, the Middle East Program hosts meetings on cultural issues, including contemporary art and literature in the region.

- **Gender Issues:** The Middle East Program devotes considerable attention to the role of women in advancing civil society and to the attitudes of governments and the clerical community toward women's rights in the family and society at large. The Program examines employment patterns, education, legal rights, and political participation of women in the region. The Program also has a keen interest in exploring women's increasing roles in conflict prevention and post-conflict reconstruction activities.
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- **Islam, Democracy and Civil Society:** The Middle East Program monitors the growing demand of people in the region for democratization, political participation, accountable government, the rule of law, and adherence by their governments to international conventions, human rights and women's rights. It continues to examine the role of Islamic movements in shaping political and social developments and the variety of factors that favor or obstruct the expansion of civil society.

The following papers are based on the authors' presentations at the Woodrow Wilson International Center for Scholars on June 30, 2009. The opinions expressed herein are those of the authors and do not reflect those of the Woodrow Wilson Center.



tem under its late founder Ayatollah Ruhollah Khomeini. Throughout the campaigns, they criticized Ahmadinejad for what they deemed to be the three main failures of his first presidential term: (1) his mismanagement of Iran's economy - squandering a once robust oil reserve fund, runaway inflation, and double-digit unemployment; (2) his disregard for civil liberties and women's rights in particular; and (3) his unwarranted antagonistic policy towards the US and the West - including inflammatory remarks on Israel and Holocaust denials - all of which, his challengers asserted, wrought injurious corollaries for Iran. Nevertheless, despite being enfolded by a trinity of criticism, Ahmadinejad displayed self-assurance throughout his campaign.

Early in the morning of Saturday, June 13, a few hours after the polls closed, the spokesman for the Guardian Council announced that Ahmadinejad had received nearly two-thirds of the popular vote to secure his re-election win. Mousavi finished in second place. He received roughly one-third of the popular vote. Mousavi immediately claimed vote-rigging. A coalition of prominent Iranian political figures led by fellow defeated candidates Karroubi and Rezai soon backed his allegations and were joined by former president Mohammad Khatami and were supported by the current head of the Assembly of Experts, Ayatollah Ali Akbar Hashemi-Rafsanjani (a two-time president, 1988-1997), and several other notables from Parliament and the clergy.

Few, if any, could have foreseen the outcry that came in response to Ahmadinejad's re-election. Hundreds of thousands, if not millions, of demonstrators flooded the streets of Iranian cities demanding an annulment of the elections. Many wore green clothes and accessories and waved green banners in support of Mousavi, who chose the color green to symbolize the movement. While many of the demonstrators supported Mousavi in the election, the social mobilization that followed and the Green movement's active participation in the election campaign would be characterized most accurately as a spontaneous and organic manifestation of the deep resentment and dis-

satisfaction felt by a sizeable portion of Iranian society toward the regime's policies. The demonstrations organized by the Green movement were peaceful, orderly and demanded a recount of their votes.

In the course of a few weeks, the electoral controversy had transformed into Iran's greatest political crisis since the 1979 revolution. Panicked and desperate to restore the status quo, the regime responded using repressive and brutal tools of the state. Internal security forces - the IRGC, *Basij*, and plainclothes police - wielded water cannons, tear gas, knives, batons, and bullets to subdue the often massive, albeit non-violent crowds. Dozens of demonstrators were killed according to official death tolls, though some estimates project the figure to be much more. Thousands of people were arrested, including protestors, reformist politicians, women activists, students and journalists. Though some of the prisoners have been released over the last three months mostly on bail, hundreds still remain detained in Iran's prison sites. Those in detention had to endure long and harsh interrogation sessions and even torture in the authorities' attempt to extract confessions. The main charge: attempting to foment a "velvet," "soft," or "colored" revolution to topple the regime, and, doing so in association with Western governments and their intelligence agencies.

Ahadinejad's re-election in June 2009 came as a surprise to many Iranians and international spectators, perhaps more so than in 2005 when he was the unimpressive mayor of Tehran and was elected as president defeating former President Rafsanjani. The confusion stirred by this heavily contested election has complicated the Obama administration's approach towards engaging Iran in diplomatic talks, particularly in nuclear negotiations.

This publication is based upon presentations given at the meeting "The Iranian Presidential Elections: What Do They Tell Us?" at the Woodrow Wilson International Center for Scholars on June 30, 2009 examining the aftermath of the June 12 presidential

elections in Iran. The expert panelists covered the outcome of Iran's presidential elections and the violence and unrest which followed from different points of view. The speakers gave an overview of Iranian politics, as well as brief analysis of Iran's five previous presidents, in efforts to juxtapose the recent election in the broader context of the Islamic Republic's 30-year elections history. The presentations show that Iran's ongoing post-election turmoil reflects, in essence, the discord between present leadership and a large segment of Iranian society. Some contributors commented on Iran's future trajectories - politically, economically, and socially. Still, all agreed that given the regime's volatile nature and the inconsistent behavior of its political leaders, as seen over the last thirty years, Iran's future in both the short- and long-term is unpredictable.


In "The Implications of Iran's Election Crisis," Robin Wright highlights the major events which occurred in the few weeks before and after Iran's election in order to illustrate how Iran's electoral controversy has quickly escalated into a full-blown political and social crisis. The paper describes the current uprising as the "fourth phase" in a century-long struggle over empowerment issues that began with Iran's Constitutional Revolution (1905-11). Wright believes three factors will shape the upcoming fifth phase: leadership, unity, and momentum. She also submits six "bottom lines" that can be drawn from the recent events in Iran. One, the legitimacy of the Islamic regime and the supreme leader is not assumed anymore, but questioned. Second, the uprising was inevitable. Third, the demonstrations do not qualify as a counter-revolution. Fourth, various political factions have now consolidated into two main rival camps - the New Left and the New Right. Fifth, the Leader's clerical support is precarious, at best. And finally, the regime's survival will heavily rely on state militarization.

The fundamental point argued by Fariborz Ghadar in his paper, "Iran at the Crossroads," is that Iran's struggling economy is the result of government mismanagement and lies at the

root of the post-election demonstrations and civil unrest. He believes that the current political controversy and struggle for power between the Mousavi and Ahmadinejad camps is essentially a struggle by both sides to secure economic control. According to Ghadar, there is a discernable favoritism between the government and its internal military organizations (i.e., the IRGC and Basij) via private companies they have set up. The result is a military-industrial complex growing in Iran, dominating politics as well as the private sector. In this context, Ghadar makes the point that Ahmadinejad and his associates view the Mousavi-led opposition as a threat to their fiscal control and powers over money distribution. Thus, the regime's military forces, says Ghadar, "are not just protecting the Islamic revolution; they are also protecting their income and economic position."

Farideh Farhi explains why the current crisis in Iran is unlike any other in the country's recent history in "Electoral Miscalculations in Iran." She emphasizes that the crisis is reflective of the loss of legitimacy for the Islamic Republic's two important institutions: elections and the office of the supreme leader. Farhi attributes the contested aftermath of the elections and the violent crackdown that ensued to miscalculations made by both sides - the opposition underestimated the possibility of mass-scale vote manipulation, while those in power miscalculated Mousavi's ability to mobilize new voters. Farhi posits that Khamenei erred by taking a partisan stance in the wake of the elections and stating his support for suppression of the demonstrations. Ironically, however, the result of this costly decision was a blow to his reputation as above the fray of national politics and mediator, while demonstrating to the world the internal divisions that exist within Iran.

In "The Turmoil in Iran and its Possible Regional Consequences," Emile Hokayem discusses the political impact and regional security implications of Iran's contentious June elections on the Persian Gulf region. Citing Iran's increasing assertiveness on the international stage,



the alienation of its own previously key political players, and the regime's desperate strides for self-legitimization through social repression, Hokayem asserts that the current situation can be understood as a "second age" of the Islamic revolution. On one hand, Iran's social unrest was positive news for the Gulf countries as it damaged Iran's ethno-national image and standing and revealed its instability, and by extension hurt Iran's appeal in the Arab world. On the other hand, the protests are concerning to Gulf leaders who fear that instability in Iran will have repercussions on their own. While the basic power structure in the Islamic Republic has not undergone dramatic changes since 1979, Hokayem notes that there have been many changes in the realities of the region: the advent of nuclear ambitions, the Iran-Iraq war, and influence over militant groups such as Hezbollah and Hamas.

Michael Adler speculates on how Iran's election-sparked turmoil might affect the Obama

administration's handling of the Iranian nuclear conundrum in "Iran's Nuclear Crisis: Ever a Key Moment." Adler believes the demonstrations and increasing fickleness of politics in Iran will likely further complicate the U.S. approach towards defining a concrete policy regarding Iran. Also discussing the role of the G8 - a group of eight nations comprising the world's foremost powers - in the matter, Adler expounds on reasons why the G8 meeting held in Italy last July (as well as the G20's September meeting in Pittsburgh) came at such a crucial time, and, in effect, shifted the bearings of negotiations on both sides. Adler believes "the clock is ticking on this crisis, even if it is not yet a countdown." Adler concludes by propounding lessons from the past which American and UN policymakers should pay heed to in confronting Iran's nuclear enterprise, in formulating policy terms and proper tone for engagement, and in considering the imposition of punitive measures.

The Implications of Iran's Election Crisis

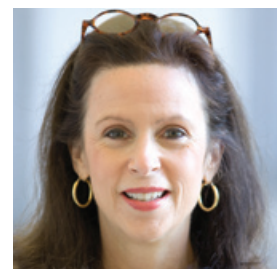
Robin Wright, *Former Public Policy Scholar, Woodrow Wilson International Center for Scholars*

The uprising generated by Iran's disputed June 12 election represents a stunning irony in the world's most volatile region: a regime that came to power through a brutal revolution, in a country suspected of secretly developing a nuclear arms capability, faces its biggest challenge to date from peaceful civil disobedience.

The spontaneous protests by millions of Iranians set a powerful precedent for Iran as well as the wider Middle East. The full impact has yet to be felt. Just as Iran's 1979 revolution introduced Islam as a modern political idiom - redefining the world's political spectrum in

the process - so too has the uprising signaled a new phase in the region-wide struggle for empowerment.

The first week played out in rival mass demonstrations that quickly escalated into a political showdown. Tacitly backed by the government, supporters of President Mahmoud Ahmadinejad mobilized celebratory rallies. But far more striking were the spontaneous and more enduring demonstrations on the streets of cities from the northern Caspian shores to southern Shiraz. Thousands carried posters demanding, "Where is my vote?" Many wore green, the cam-



paign color of defeated candidate Mir-Hossein Mousavi. The protests exposed widespread anger at the regime that crossed all ages, classes, ethnic groups and genders.

Supreme Leader Ayatollah Ali Khamenei's Friday prayer sermon on June 19 bestowing final approval on Ahmadinejad's reelection marked a second turning point. The political standoff deteriorated into a physical confrontation during the second week as Khamenei gave notice that the theocracy would use all the tools of the state and its security forces to end the street protests. As violence erupted, the focus expanded from the election to challenges to the Supreme Leader himself. Shouts of "death to the dictator" and "death of Khamenei" echoed across Tehran rooftops at night.

By the end of the second week, paramilitary *Basij* ("mobilization resistance force") vigilantes and riot police had brutally put down most protests – at a cost. More than 1,000 Iranians were arrested or detained, including a former vice-president, presidential advisers to former President Mohammad Khatami and many top reformers, prominent journalists, and student leaders. Some 19 protesters and eight *Basij* forces died in the violence, according to government figures, although Iranians claimed the death toll was significantly higher.

The third week began a sorting out process, as the new opposition forces struggled to deal with their political and personal losses and figure out a survival strategy. They had few instruments beyond words and images dispersed courtesy of internet technology. Khatami charged on July 1 that a "velvet coup" had taken place against democracy and republicanism in Iran: "If this poisoned propaganda and security environment continues, and in view of what has taken place and announced one-sidedly, we must say that a velvet coup against the people and the republican [character] of the system has taken place." But his words may have resonated wider outside Iran than at home. The regime, in turn, struggled to re-exert control amidst widespread anger over its tactics. Polarization deepened.

Iran's election crisis is widely expected to move in fits and starts in the months ahead. It may take different forms. It may witness the emergence of different leadership. But it is not over.


Six Bottom Lines

Six conclusions can be drawn from the first month of Iran's crisis. First, despite its unprecedented use of force, the theocratic regime has never been more vulnerable. And the idea of a supreme leader – a position equivalent to an infallible political pope – now faces a long-term challenge of legitimacy.

Iran has not witnessed this scope of brutality since the revolution and its vengeful aftermath against the *ancien regime*. The Revolutionary Guards and paramilitary *Basij* vigilantes are now more powerful than at any time since they were created. On July 5, Revolutionary Guard Commander Mohammed Ali Jafari acknowledged that his forces had assumed control of domestic security; he called the crackdown a new phase of the revolution. "Because the Revolutionary Guard was assigned the task of controlling the situation, [it] took the initiative to quell a spiraling unrest," he stated in a news conference. He added, "This event pushed us into a new phase of the revolution and political struggles."

Yet the opposition has not been silenced. A growing number of political and religious groups continued to publicly question the election, the crackdown, and even the regime itself. In his first appearance in almost three weeks, Mousavi vowed on July 6 that the protests were not over, even though the public outcry was quieter. "They will not end...The legitimacy of this government is questionable because people don't trust it," he told a gathering to commemorate Imam Ali, the central figure in Shiite Islam. He went on to say, "This makes the government weak inside even if it keeps up appearances."

Second, given Iran's modern history, some kind of challenge was almost inevitable. For a century, Iranians have been political trailblaz-



ers in the 57-nation Islamic bloc and in Asia. Their quest for empowerment has played out in four phases.

During the 1905-1911 Constitutional Revolution, the first of its kind in Asia, a powerful coalition of intelligentsia, bazaar merchants and clergy forced the Qajar dynasty to accept a constitution and Iran's first parliament. In 1953, the democratically elected National Front coalition of four parties led by Prime Minister Mohammed Mossadegh pushed constitutional democracy and forced the last Pahlavi shah to flee to Rome – until U.S. and British intelligence orchestrated a coup that put him back on the Peacock Throne. And in 1979, yet another coalition of bazaaris, clergy, and intellectuals mobilized the streets to end dynastic rule that had prevailed for about 2,500 years.

So the angry energy unleashed in both peaceful demonstrations and angry protests is the natural sequel. Each of the first three phases left indelible imprints that in some way opened up Iranian politics and defined what followed. The latest phase will too.

Third, the protests are not a counter-revolution – yet. The opposition is not talking about ending the Islamic Republic. Instead, they're talking about what it should be, how to reform or redefine it, and how to make its officials more accountable.

The core issues are, in fact, not new. The main flashpoint goes back to the early debate between the ideologues and the realists over a post-revolutionary government. Ideologues argued that the first modern theocracy should be a “redeemer state” that championed the cause of the world's oppressed; restored Islamic purity and rule in the 57-nation Islamic bloc; and created a new Islamic bloc capable of defying both East and West. Realists argued that Iran should seek legitimacy by creating a capable Islamic state and institutionalizing the revolution. They, too, wanted a new political and social order independent of the outside world, while also being realistic about Iran's need to interact economically and diplomatically with the world.

For thirty years, the bottom line issue has been variations on the same theme: whether to give priority to the revolution or to the state. Or, put another way, whether the Islamic republic is first and foremost Islamic, or first and foremost a republic.

The same theme issue played out in the presidential campaign. Ahmadinejad championed the revolutionary clerics' original vision of helping the oppressed, while Mousavi campaigned on the need for a viable and practical state. The same issues are central to the post-election turmoil. Mousavi warned that the large amount of cheating and vote rigging was killing the idea that Islam and republicanism are compatible.

So far, the opposition is not rejecting the role of Islam in the state. The rallying cry, after all, is *Allahu Akbar*, or “God is great.” The opposition instead envisions a different role for Islam in the state. What is different now is that a debate that has been simmering among elites for three decades has now been taken over by the public.

The New Political Schism

Fourth, the election crisis has further refined Iran's complicated and ever-evolving political spectrum. The fissures have, for now, coalesced many disparate factions into one of two rival camps: the New Right and the New Left.

The New Right centers on a second generation of revolutionaries who call themselves “principalists.” Many came of age during the Revolution's first traumatic decade. They provided the backbone of the Revolutionary Guards and *Basij* that secured the Revolution during the chaotic early years. They were hardened during the 1980-88 Iraq war, the bloodiest modern Middle East conflict. In the 1990s, they went to university and entered the work force. After Ahmadinejad's election in 2005, many gained positions of political or economic power.

Major figures in the New Right include Mojtaba Khamenei, the Supreme Leader's son and chief-of-staff; Mojtaba Hashemi Samareh, a presidential adviser and campaign manager;

Intelligence Minister Gholam Hossein Mohseni-Ejehei; Interior Minister Sadegh Mahsouli; Major General Jafari of the Revolutionary Guards and *Basij* Commander Hasan Taeb; influential commentators like Kayhan editor Hussein Shariatmadari; and former *Basij* leaders who are now titans of industry, such as Mehrbad Bazrpach, Ahmadinejad's former cabinet minister for youth affairs who now heads Saipa, the automobile manufacturer and one of Iran's largest industries.

The New Right has effectively wrested control of the regime and the security instruments needed to hold on to power. In stark contrast to the Revolution's first generation, most are laymen, not clerics. They have effectively pushed many of the original revolutionaries, including big-name clerics, to the sidelines – at least for now.

The New Left is a de facto coalition of disparate interest groups that found common cause during the brief presidential campaign and came together in anger after the poll. Its organization, tools and strategy are weak. But the informal coalition does have numbers on its side. The New Left takes its name in part from former Prime Minister Mousavi, an opposition presidential candidate who alleges he won the election. As prime minister during the Revolution's first decade, he was considered a leftist. But the name also reflects a common goal among the disparate opposition forces to open up Iran's rigid theocracy.

The new opposition is distinct from the 1999 student protests, which failed because they involved a single sector of society. The students were a body without a head, a strategy, or a cause powerful enough to mobilize others. In contrast, the opposition today includes the most extensive and powerful coalition since the Revolution.

The New Left includes two former presidents, former cabinet ministers and former members of parliament. But it also includes vast numbers from the demographically dominant young; the most politically active women in the Islamic world; sanctions-strapped businessmen


and workers; white collar professionals and taxi drivers; and famous filmmakers and members of the national soccer team.

Iran's political divide is now a schism. Many leaders of the two factions once served time together in the shah's jails; their mug shots still hang together in the prison – now a museum – once run by the shah's SAVAK intelligence. Today, however, their visions of the Islamic Republic are at such sharp odds that it will be very hard to recreate unity among them (the biggest wild card is foreign intervention or an outside military operation that would almost certainly lead rivals to take a common stand).

Fifth, several senior clerics have publicly questioned either the election results or the regime, adding legitimacy to the opposition's challenge. Ayatollah Ali Montazeri, the designated supreme leader until his criticism of the regime's injustices in 1989, issued a virtual *fatwa* dismissing the election results. He urged Iranians to continue "reclaiming their dues" in calm protests. He also warned security forces not to follow orders that would eventually condemn them "before God." He wrote, "Today, censorship and cutting telecommunication lines cannot hide the truth."

Grand Ayatollah Abdolkarim Mousavi Ardabili warned the Guardian Council that it "must hear the objections that the protesters have to the elections. We must let the people speak." Grand Ayatollah Yusuf Saane'i expressed "abhorrence" for those behind the violence and sympathy for injured protesters, particularly students who "protested to restore their rights and remove doubts about the election." He said, "What belongs to the people should be given to the people. The wishes of the people should be respected by the state."

And Grand Ayatollah Asadollah Bayat Zanjani said the protests were both lawful and Islamic. "Every healthy mind casts doubt on the way the election was held," he wrote, adding, "More regrettable are large post-election arrests, newspaper censorship and website filtering and, above all, the martyrdom of our countrymen whom they describe as rioters." He, too, warned



security forces that it is “against Islam” to attack unarmed people.

Clerical groups have gradually added their voices. The Qom Assembly of Instructors and Researchers issued a statement in early July questioning the neutrality of the twelve-member Council of Guardians, which certified the election. In it, they wrote, “Candidates’ complaints and strong evidence of vote-rigging were ignored ... peaceful protests by Iranians were violently oppressed ... dozens of Iranians were killed and hundreds were illegally arrested.” As a result, “the outcome is invalid.”

The Executives of Construction Party loyal to former President Rafsanjani issued a statement on July 6 declaring the election results “unacceptable” due to “the unhealthy voting process, massive electoral fraud, and the siding of the majority of the Guardian Council with a specific candidate.” Other senior clerics were noticeably silent, either not embracing Ahmadinejad before the election or not endorsing him afterwards. Many clerics in the holy city of Qom have never favored an Islamic republic for fear its human shortcomings would taint Islam.

The Future

Sixth, the regime’s survival strategy relies on militarization of the state. To push back the opposition, Khamenei may rely more on his powers as commander-in-chief than his title of supreme leader. The government’s three main tactics are political rebuff, judicial arrest, and mass security sweeps. Khamenei and the Council of Guardians have so far resisted all compromises, dismissed all complaints, and steadfastly reaffirmed Ahmadinejad’s election. Security forces have arrested key opposition figures in the streets and during nighttime raids, including advisers and aides of Mousavi, which crippled his ability to communicate, plan or organize. Rafsanjani family members were also detained in a signal that no one is immune from retaliation.

Short-term, these tactics may be partly effective; long-term, however, they could back-

fire. Three other factors are more likely to determine the future: leadership, unity, and momentum.

The opposition is most vulnerable on the issue of leadership. The still unanswered question is whether Mousavi, a distinctly uncharismatic politician, can lead the new opposition movement long-term. He was always an accidental leader of the reform movement, more the product of public sentiment rather than the creator of it. With limited choices, Iranian voters latched onto a figure who promised some degree of political, economic, and social change and had a prospect of winning. If Mousavi does not provide more dynamic leadership, the opposition may look elsewhere.

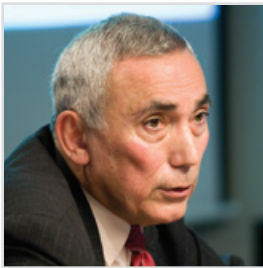
Unity is where the regime is most vulnerable. Many in the regime have to be worried about long-term costs of the crackdown. Many government employees, including civil servants and even the military, have long voiced their own complaints about the strict theocracy. In 1997, a government poll found that 84 percent of the Revolutionary Guards, which include many young men merely fulfilling national service, voted for Khatami, the first reform president.

Momentum – the engine of action – may be the decisive factor. For the regime, the challenge will be to shift public attention to Ahmadinejad’s second-term agenda. Despite the regime’s scathing allegations that the outside world was behind the protests, it is quite possible that Ahmadinejad will respond out to the U.S. proposal for direct talks on Iran’s controversial nuclear program – an attempt in part to seek international legitimacy for his presidency that he has been unable to get internally.

For the opposition, the calendar of Shiite rites, Persian commemorations and revolutionary markers is rich with occasions for public gatherings to turn into demonstrations, planned or spontaneous. The opposition also has supporters in the *Majlis*, Iran’s unicameral parliament. Ahmadinejad is almost certain to face challenges to his cabinet choices when they face confirmation. His policies, particularly on

the economy, are also likely to face greater scrutiny; his proposal to cut national subsidies in favor of cash handouts to the poor was already rejected this year by parliament. The arrests

and any future trials also add new causes for alienation and opposition. With each new set of issues, the regime's image is further tainted, its legitimacy undermined.



Iran at the Crossroads

Fariborz Ghadar, *Distinguished Senior Scholar, Center for Strategic and International Studies; and William A. Schreyer Chair of Global Management and Director of the Center for Global Business Studies, Pennsylvania State University*


The election demonstrations and civil unrest have their roots in Iran's poor economic condition as well as in the Mahmoud Ahmadinejad administration's intentional grab for control over economic activities. While the street demonstrations have been subdued by brute force, the underlying issues remain, and unless a compromise is reached among the political factions, the flames of discontent may well flare up in the near future.

Iran's economy has been dominated by oil exports, which in 2008 constituted 50 to 70 percent of government revenue¹ and 80 percent of export earnings.² Iran's public sector (which is directed or centrally controlled by the government) is estimated at 60 percent of the economy. Historically, the private sector, dominated by the bazaar, handled most supply chain-related matters in the economy. This included warehousing, distribution, sales, financing, and managing the logistical matters related to imports and local production. Many of the agricultural activities and light industries relied on the bazaar to handle their logistical and financial requirements.

One major change since the 1979 Islamic revolution is the expanding role of the religious foundations, or *Bonyads*. Their combined budgets are said to presently make up as much as half the government sector.³ Much of the funding of the

Bonyads originates with the government via the assets and businesses that the *Bonyads* have been authorized to manage or in the form of direct government subsidies. The *Bonyads* have been actively involved in the transportation and distribution sectors; before the 1979 revolution, these logistical activities were traditionally within the economic sphere of the bazaar.

More recently, the role of the private sector and the bazaar has been further undermined by the imposition of stricter sanctions, administrative and price controls, smuggling, contraband, and widespread corruption, along with other rigidities in the economy. Much of the smuggling and contraband is controlled by the Revolutionary Guards, and this trend has rapidly accelerated during the four-year term of Ahmadinejad. In addition, many of the large contracts such as the gas pipeline to the Pakistan border, the Pars gas field, and the expansion of the Tehran metro have been given to members of the Revolutionary Guards and their companies. In essence, there has been a dramatic shift of economic power away from the traditional private sector groupings and toward the selected *Bonyads* and Revolutionary Guards entities. An obvious effort to restrict the power of the bazaar was the attempt to impose a value-added tax in October 2008. That was met with stiff resistance, violent protest, and



the closing of the bazaar, which brought the economy to a halt. The value-added tax was rescinded. This was, however, also a clear signal that despite the shift in economic power, the bazaar remains a major force in the economic landscape of the country.

Simultaneous with the Ahmadinejad administration's attempt to shift the economic power structure in Iran toward the Revolutionary Guards, there has been massive mismanagement of the economy resulting in high inflation and excessive unemployment. The demonstrations in the streets have as much to do with economic mismanagement as they do with election improprieties.

Iran's Oil and Gas Sector

Iran's oil production prior to the Islamic revolution hovered around 5 to 6 million barrels a day, of which 5 million were exported. The strikes, civil unrest, and the loss of technical and managerial experts (both domestic and foreign) reduced oil production to about 3.3 million barrels in 1979.⁴ Oil production further declined to less than 1.5 million barrels in 1980 with the continued technical difficulties and the advent of the Iran-Iraq War. Oil production gradually increased to a level of 4 million barrels a day by 2008.⁵ In the meantime, however, local consumption has risen rapidly, and crude volume exports have declined gradually to between 2 and 2.5 million barrels a day.⁶ Since the Islamic Revolution, the volume of oil exports has declined by more than 50 percent⁷ while the population has doubled.⁸ The recent demonstrations have not had an impact on Iran's oil production to date. However, given the reduced level of exports and the increased local consumption, a strike in the oil and gas sector would have a much more crippling effect on the economy than that produced during the Islamic Revolution of 1979.

Iran's natural gas production has increased rapidly since 1979, but it is primarily serving the local markets. Iran exports some natural gas to Turkey and imports some from

Turkmenistan. However, as prices paid by Turkey are below prices paid by Iran to Turkmenistan, the gas sector may, in fact, be a foreign exchange drain on the economy. Gas exports have not risen due to sanctions and U.S. policy. The Nabucco pipeline planned for construction through Turkey has been delayed, and the Iran-Pakistan-India pipeline is unlikely to undergo construction in the near future. Iran also lacks the necessary technologies to embark on a significant liquefied natural gas (LNG) operation.

The Other Economic Sectors

Despite these difficulties, the gross domestic product (GDP) growth rate has ranged between 4.5 and 7.8 percent.⁹ This has much to do with the rising price of crude oil. In fact, 2008 was a record year for revenue generated by oil exports. As oil prices hit a record \$147 per barrel, Iran managed to generate an estimated \$85 billion in oil exports. Yet despite this massive increase in oil revenue, GDP growth rate declined from 7.8 percent in 2007 to a much lower 4.5 percent in 2008.¹⁰ This is the lowest growth rate in the past few years and is directly related to the rising subsidies and import bill as well as the monopolistic nature of much of the industrial economy (which became more and more under the control of the Revolutionary Guards and preferred *Bonyads*). The net result has been rising inflation, which in 2008 was 26 percent according to central bank figures. The inflation rate may have dropped to 15 percent¹¹ due to the decline in oil prices and a global recession in 2009, but it still remains very high. Housing prices in Tehran quadrupled from 2004 to 2008. The excessive subsidies and handouts have made Iran dependent on agricultural imports. Wheat imports, which were reduced to nearly zero at the end of Khatami's era, rose from near zero in 2005 to more than 6 billion tons in 2008. The growth rate in manufacturing and agricultural value added has also declined from 2002 levels. In the meantime, the lack of investments by the

private sector along with the unique characteristic of Iran's demographics have substantially increased unemployment.

Unemployment and Implications for the Future


The official unemployment rate is in the teens, but, given the very large portion of the population in the 15- to 30-year range, it is very likely that the unemployment rate is hovering at twice the official rate. I estimate the unemployment rate at above 30 percent.¹² The Fourth Development Plan optimistically calls for the creation of 700,000 jobs per year, a number unlikely to be achieved. In any case, the number of jobs necessary to prevent unemployment from rising is estimated at one million. For those of us who remember the misery index (inflation plus the unemployment rate) discussed during the Carter/Reagan era (at worst around 25 percent) and which in today's US economy would be about 13 percent, we should appreciate a misery index in Iran that is in the range of 40 to 50 percent. We should not be surprised that despite threats, intimidation, and beatings, the Iranian public was still willing to demonstrate in the streets of many of Iran's cities. While members of the Basij and Revolutionary Guards benefit from subsidies, the public has seen its purchasing power decline.

This may be a reason why the Revolutionary Guards and the Basij have been so ruthless in handling the demonstrations. They are not just protecting the Islamic revolution; they are also protecting their income and economic position. It is during Ahmadinejad's term that the economic power of the paramilitary (Revolutionary Guards and Basij) has grown rapidly. Maj. Gen. Mohammad Ali Jafari, commander of the elite military branch of the Revolutionary Guards, stated that the Revolutionary Guards' recent control of the country has put them "in a new stage of the revolution and political struggles," and "because the Revolutionary Guards were assigned the task of controlling the situation, [the Guards] took the initiative to quell a spiraling unrest. This event pushed [the Guards]

into a new phase of the revolution and political struggles and we have to understand all its dimensions."

At the same time, Iran's other hard-line forces have also been emboldened. Ahmadinejad's spiritual guide, Ayatollah Mesbah Yazdi, said, "elected institutions are an anathema to a religious government and should be no more than window dressing." However, with the lower oil revenue, if Ahmadinejad's administration, the Basij, and Revolutionary Guards continue to feed at the trough without consideration for the general public, unrest will accelerate. Many of the old guard economic powerhouses view this trend with serious concern. A number of influential religious leaders have kept silent or offered only faint criticism about the elections of Ahmadinejad and the Supreme Leader's comments. It is clear to them that the role of traditional political leaders vis-à-vis business activities is being seriously challenged, resulting in an open power struggle between Akbar Hashemi Rafsanjani, Mohammad Khatami, Mir Hossein Mousavi, and Mehdi Karrubi against Ahmadinejad, Yazdi, Ayatollah Ahmad Jannati, and the Revolutionary Guards.

The backing of the latter group by the Supreme Leader causes one to wonder if he has already lost control of the reins to the Revolutionary Guards and the conservative clerics who support them or if he is simply in their camp. The old guard understands that another four years with Ahmadinejad and his Revolutionary Guards' policies will diminish their role to such an extent that they will, in fact, be at risk of losing their livelihood and even their lives. This brings us to the question of compromise. But can the disparate forces reach a compromise? What kind of compromise will make the reformist/bazaar/Rafsanjani/moderate clerics trust the Ahmadinejad/Revolutionary Guards/Yazdi/Ayatollah Ali Khamenei faction? If no compromise is achieved, this economic time bomb will continue to tick. But the fuse is short. If Ahmadinejad and the Revolutionary Guards are not controlled, we will see the Iranian economic and political structure evolve



into a dictatorship of paramilitary thugs and oligarchs controlling a monopolistic and corrupt economic system.

Notes

1 This range is due to the varying definitions of “government revenue” which often include various *Bonyads*.

2 OPEC annual statistical Bulletin 2008: Iran’s value of exports was 108,472 million dollars and its value of petroleum exports was 88,918 million dollars in the same year.

3 Based on the estimates from the Center for Global Business Studies at Pennsylvania State University (see footnote 1).

4 Energy Information Administration
http://tonto.eia.doe.gov/merquery/mer_data.asp?table=T11.01a

http://tonto.eia.doe.gov/country/country_time_series.cfm?fips=IR

Still well-Oiled? Theodore H. Moran, *Foreign Policy*, No 34 (Spring, 1979), pp. 23-28

5 Energy Information Administration: http://tonto.eia.doe.gov/country/country_time_series.cfm?fips=IR

6 Energy Information Administration: http://tonto.eia.doe.gov/country/country_time_series.cfm?fips=IR

7 Energy Information Administration: http://tonto.eia.doe.gov/country/country_time_series.cfm?fips=IR

8 www.Nationmaster.com based on World Development Indicators Database and CIA World Factbook

9 IMF http://www.imf.org/external/pubs/ft/weo/2009/01/weodata/weorept.aspx?pr.x=43&pr.y=12&sy=2001&ey=2014&scsm=1&ssd=1&sort=country&ds=.&br=1&c=429&s=NGDP_R%2CNGDP_RPCH%2CNGDP%2CNGDPD%2CNGDP_D%2CNGDPRPC%2CNGDPPC%2CNGDPDPC%2CPPPGRDP%2CPPPGRDP%2CPPPGRDP%2CPCPI%2CPCPIH%2CPCPIE%2CPCPIEPCH%2CLP%2CBCA%2BCA_NGDPD&grp=0&a=

10 Ibid.

11 Ibid.

12 Based on data provided to the IMF by Iran’s central bank and estimates from the Center for Global Business Studies, PSU. The estimate is based on Ministry of Labor reports that there are 25 million Iranians employed, of which a third are women. Given Iranian Demographics the Center for Global Business estimates the working age population at 45 million. Therefore, even assuming all women who want jobs are employed, the unemployment rate is at 30 percent. This unemployment rate along with an inflation rate of 15 percent would result in a misery index in the 40-50 percent range.



Electoral Miscalculations in Iran

Farideh Farhi, *Independent Scholar and Affiliate Graduate Faculty, University of Hawai'i at Mānoa*

The crisis that has engulfed Iran since its June 12 presidential elections is, without a doubt, the most significant event in the 30-year history of the Islamic Republic. With the exception of the revolution itself that deeply restructured the political map of the country, no other event – including the Iran-Iraq war, the 1989 revamping of the constitution which turned the office of the leadership into absolute leadership, or the rise of reformist politics – has been so significant.

The significance of the recent events lies in the fact that the Islamic Republic's two basic institutions designed to manage or moderate political competition, conflicts, and fundamental contradictions – elections and the office of the leader (*rahbari*) – have failed to perform their tasks.

Elections – amazingly the 29th of which we just witnessed in the Islamic Republic's 30-year history, if one includes the three founding elections held in the immediate post-revolution years regarding the change of regime, election of the Constitutional Assembly, and approval of the Islamic Constitution – have been the method of choice to manage mass participation while the office of the *rahbari* has been the ultimate over-seeing arena where intra-elite competition is regulated and ultimately negotiated.

In this crisis, both of these institutions – irrespective of whether there was fraud or mere perception of it – mishandled the events, ultimately failed to temper conflicts, and, in fact, ended up heightening or inciting them further.

The failure of these two institutions was the direct cause of street confrontations and violence – or electoral politics by other means – that ensued and, in all likelihood, will continue for a while. In the process, the damage that has been done to their legitimacy will either have to be repaired in profound ways or have serious consequences for Iran's future power structure.

In short, such cosmetic – and in some ways amusing – efforts by the Guardian Council to open and read the ballots of 10 percent of the

poll boxes on national television – when no one knows where those boxes were kept for two weeks and how the electorate can be assured that they were not tampered with – while reflecting a desire to repair the damage done, will not be sufficient to overcome the perception that the election was brazenly stolen and will be stolen in the future as well.


So while the events engulfing Iran must be seen as entailing an uncertain and ultimately improvised outcome, no matter which direction events take us, the only thing for certain is that this election was seriously mishandled or mismanaged, and both sides in this very intense competition miscalculated and underestimated their opponent's power and capacities.

The foremost miscalculation on the part of the expanded ranks of the Iranian elite who ended up standing behind Mir Hossein Mousavi was their belief that although a degree of electoral manipulation – called election engineering in Iran – was a given, massive manipulation was unlikely and in fact dangerous for the system; hence, it would not be tried for its destabilizing effects.

They understood from the beginning that their path to winning the presidency was a difficult one, dependent on their ability to mobilize a large sector of Iran's silent voting block, which constitutes up to 40 percent of the Iranian electorate.

They entered the race highly skeptical of Mousavi's ability to expand the participation rate, but they did assume – wrongly it turned out – that if he managed to mobilize that block of silent voters, he could overcome the presumed 5 to 7 million vote deficit he had to contend with because of the conservative ability to tinker with votes by marshalling organized votes of supporters, stuffing ballots, and voiding the opponents' ballots by the Ahmadinejad-controlled Interior Ministry.

Once former reformist President Mohammad Khatami withdrew his candidacy, they simply did not take into account the possibility of massive fraud particularly since Mousavi had made his



commitment to the Islamic Republic quite clear. Neither did they take into account the likelihood that a mobilized population would take offense to election results and would come into the streets in droves to express its anger and shock. Finally, they did not foresee the likelihood of the security forces loyal to the office of the Leader reacting the way they did to the popular response to the election results.

The model they still operated under was the 1997 model when a 79 percent participation rate pressured the highest authorities of the country to assure a fair election out of the concern for popular reaction. In fact, prior to that election, the two most prominent leaders of Iran – then President Akbar Hashemi Rafsanjani and Leader Ali Khamenei – had been informed of the political mood in the country by the security and intelligence apparatus and came out to assure the public that its preference on election day would be respected. Undoubtedly, concern about possible riots was what brought the two leaders together. In 2009, the reformists wrongly assumed that once they had mobilized the population, the same pressure would be at play. The genuine shock expressed by Mousavi along with the population was the direct result of this miscalculation.

On the conservative side, the miscalculation occurred in the opposite direction. First, what they underestimated was the ability of reformist candidates to energize what to them was happily considered to be a cynical electorate. Hence, they assumed that, like the 2005 presidential election, an over 60 percent Ahmadinejad victory in an election that entailed only a 60 percent participation rate would be a disliked but accepted outcome by the electorate.

The 2009 election turned out differently because a combination of competition between the two reformist candidates and increased outrage at Ahmadinejad's blatant (and much discussed) misrepresentations of the state of the Iranian economy, of his own record, and of past declarations during television debates energized the electorate in the last few weeks of the campaign in ways not foreseen by either candidates

or pundits. The animus against Ahmadinejad and savvy campaigns run by his two main rivals – Mousavi and Mehdi Karroubi – did the unthinkable and, if the total number of votes announced by the Interior Ministry is to be accepted, brought into the electoral process at least an additional 11 million voters out of the announced total eligible electorate of 46.2 million and raised voter turnout from close to 60 percent in the first round of 2005 to about 85 percent.

As such, the second miscalculation was their underestimation of the impact the debates had in energizing the population in seeing the election as a contest between real alternatives. Having confidence in their man's aggressiveness and debating capabilities, they simply did not grasp the impact of Ahmadinejad's comfort with making up data about the positive state of the Iranian economy on national television and, furthermore, the impact of other candidates standing their grounds and engaging in fierce push-back.

The debates between the sitting president and Mousavi and former Islamic Revolution Guard Corps (IRGC) Commander Mohsen Rezaei were particularly consequential as they showed to the Iranian electorate that there were real differences among the candidates, that these candidates do take their differences seriously and are willing to expose what they consider to be the president's mendacity as well as wrong-headed policies in the securitization of Iran's domestic political environment.

Thirdly, those who conducted the election at the Interior Ministry did not feel the necessity to adjust their model of Ahmadinejad receiving two-thirds of the vote once the participation rate threatened to go above 80 percent. While they must have known that the additional voters beyond 60 percent have historically voted for change and never entered the fray in order to vote for status quo, they simply chose to ignore this reality probably because – and this was their fourth miscalculation – they underestimated the role pre-election rallies had in creating networks and links among people from different backgrounds that could be mobilized in huge

rallies after the election without much effort and leadership.

At the end, like their reformist counterparts, they also assumed certain similarities to the events of the late 1990s when student demonstrations were prevented from spreading across the population through the use of sporadic – and what can really be described as goon – violence: the indiscriminate use of plain clothes club wielders attacking a small group of the population – usually students in dormitories – in order to cause fear and send everybody else home.

It was the failure of this system of crowd control to put a quick end to demonstrations that ultimately forced the hand of the Leader Ayatollah Khamenei to enter the fray with full force – use the card that he has not been forced to use and probably should not have used until later – and be perceived as taking responsibility for the fraud that had taken place on the side of one candidate, and most importantly become identified as the effective leader of a part of the government of Iran that has always operated in the shadows and is willing to impose violence on the Iranian population on a periodic basis.

He not only threatened violence but he made explicit that in the ideological fight about the future direction of the country, he stands with Ahmadinejad and not his life-long friend, former President Rafsanjani, who in an open letter had warned him of turmoil if there was electoral manipulation. He made clear that in the months and years to come it is really his office that will be the bastion standing against compromise with popular sentiments for a less austere and securitized political system as well as compromise with the outside world. In effect, in one quick step, he made Ahmadinejad small and insignificant in comparison to the titans who are fighting for the future of the country.

We will probably not know for a while what led Ayatollah Khamenei to incur such a heavy cost to his office in order to give support to post-revolutionary Iran's most polarizing political figure. But it is significant that in his Friday prayer speech, he really did go further than he needed to at that moment and revealed something that he

had kept ambiguous for a long time. He revealed that in the deep, ideological fights that have mired the Islamic Republic, he and his office have not been the consensus-builders but the partisans, fueling and inciting the schisms rather than alleviating them.


This is something many suspected and whispered about in Iran. But to publicly align his office with the hard-line security apparatus of the country that in the minds of many in Iran are responsible for an Ahmadinejad presidency was a line that the Leader had previously tried not to cross and, in fact, had avoided by giving the impression that a Mousavi presidency would also be fine with him.

So why the change? In retrospect, it was probably the extensive mobilization of the electorate that must have frightened the hard-line sectors of the Iranian elite in general and the office of Leader Ayatollah Khamenei in particular.

I use the language of fear intentionally here because the only explanation I can think of in trying to understand Khamenei's costly move is a sense of extreme threat which is made even more odd when one considers the fact that this sense of threat – as reflected in the constant post-election refrains about velvet or soft revolution and foreign attempts to overthrow the regime in Iran – occurred precisely at the moment when Iran was at its strongest in relation to the upcoming negotiations with the United States.

Khamenei, by giving support to a popularly elected president, could have made his name lasting in Iran's history not as the leader of Iran's anti-democratic forces but as the leader who was effective in his push-back against aggressive U.S. policies that were implemented during the Bush administration. By not covering his back, however, he is now perceived as entering negotiations with a weakened hand and open to concessions abroad in order to maintain domestic control.

It has become common wisdom to suggest that what has happened in Iran is an effective takeover of the Iranian political system by the IRGC. And, indeed, it is possible that this election was an attempted capstone of a process that has been going on for a while; an attempted takeover of the



Islamic state by the security establishment whose public face for now is Ahmadinejad and perhaps even Ayatollah Khamenei himself.

Aside from the fact that the history of punditry on Iran should warn us against reaching any set consensus regarding Iran, the reality of Iranian politics seems a bit more complicated.

If, indeed, this was an attempted coup, it was at least a partially botched one. While the coup leaders can probably cow some people for a period of time to accept the new arrangement, the mismanagement of the election and its aftermath has exposed deeper domestic rifts about Iran's place in the world and the contours of state-society relations that cuts across all institutions and strata of the society. It is really about different visions and the ability of these contending visions to fight it out in a peaceful way, win or lose, via a game that is not rigged and takes everyone's citizenship seriously. Given Iran's highly polarized elite structure, it is hard to imagine any institution – including the IRGC – free of elite schisms.

This election once again confirmed that a large sector of the Iranian population and elite yearns, and have been yearning for decades, to have a say in the policy direction of the country. Thirty years ago, it came into the streets and made a revolution in order to make the same point. On June 12, and after several days of millions of men and women marching, it again came out to make the same point through an election.

On June 11, one could marvel at the fact that Iran had come a long way since 1979. The population was no longer wishing to reshape the structure of the state – or *nezam* as it is called in Iran – but insisting on its say in the policy direction of the country. It was making a choice among candidates that during their campaign had convinced the electorate, rightly or wrongly, that

they would lead the country in different domestic and foreign policy directions.

By June 13, and continuing today, it is clear that Iran's century old yearning for an end to arbitrary rule and creation of a set of agreed upon rules that could manage and moderate conflicts and competition without violence has yet again not been fulfilled.

But the reaction to the perceived brazen rigging of the rules also suggests that the dream of hard-line or security-state consolidation by its advocates and beneficiaries is not easy to realize. In the past three decades, the Islamic system has operated on the basis of a moving line or balance between social repression and political repression. It has relied on partial political repression while in fits and trials allowing for a gradual expansion of personal and social freedoms. Now trying to balance the two will be hard since allowing more social freedom so that the population can vent will immediately turn into political agitation. It will be hard for the government to draw the line. And, of course, this means constant contestation in the streets, on the rooftops, occasional strikes, and so on.

So the Islamic Republic remains in limbo, still searching to find a compromise to the fundamental contradiction of a populist and anti-imperialist revolution that cannot find the proper balance or accommodation among the contending societal and political forces that all want to have a say in the direction of the country and all have the means to prevent themselves from being purged.

As such, it keeps itself vulnerable to and hobbled by periodic and unpredictable outbursts unless it manages to put in place rules that are accepted by all sides and can resolve conflicts in a peaceful fashion.



The Turmoil in Iran and Its Possible Regional Consequences

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With contestation in Iran morphing from public unrest and street protests into a more diffuse, opaque, and protracted dispute, it becomes important to examine the regional security implications of the profound changes that are affecting the country.

Much will depend on how the various players, primarily Iran's neighbors and the great powers, assess the nature of the system that is emerging from the turmoil of the past weeks.

That much is certain: the Islamic revolution has entered its second age ever since the election of Mahmoud Ahmadinejad in 2005, and its main traits are the growing assertiveness of the once timid Supreme Leader Ali Khamenei, the momentously important political and economic rise of the Revolutionary Guards, the alienation of clerical circles and other previously key power centers, and the rejection of popular legitimacy in favor of raw control.

Whether this tightly-controlled Iranian system can survive the massive popular discontent on display recently through sheer repression or will succumb overtime to this loss of legitimacy will play out over years, a perilous and volatile period for countries affected by Iran's evolution. Indeed, there is already a mixture of angst and confusion in Arab and Western capitals as they adjust perceptions and policies to this inherently fluid situation.

The most radical and perhaps most pertinent assessment at this time is that Iran is no longer an Islamic republic but rather a consolidating Islamic military dictatorship. Some, including many Arab leaders, will argue this was always the case and that recent events merely raised the veil on the democratic pretense that the Islamic regime deceptively cultivated for thirty years.

For them, the reelection of Ahmadinejad was good news in the sense it did away with the illusion of a moderate Iran on which many gull-


ible Westerners pinned their hopes, some Arab analysts even making the improbable claim that Ahmadinejad won fair and square, simply revealing Iran's true radical face.

There is a twisted if understandable logic to that. Stung by the disappointment of the Akbar Hashemi Rafsanjani and Mohammad Khatami eras, many Arabs feared that a Mir Hossein Mousavi presidency, by the mere fact of not being an Ahmadinejad one, would soften the attitude of the international community without any tangible concession on the nuclear issue or other contentious files.

After all, these pragmatic presidents spoke of better neighborly relations, giving the sense that the revolution was finally abating, even as they covered Iran's nuclear progress, a deception still felt in Arab capitals. Ironically, a parallel if vastly overblown concern was that a U.S.-Iran rapprochement was more likely under Mousavi, a prospect that unnerves Arab states somehow convinced that Washington's interests and even heart are closer to Tehran.

In truth, little has changed in the formal power structure in Iran in the past weeks, but the domestic balance has decisively swung in favor of the most radical and uncompromising faction. With power now firmly in the hands of a praetorian guard with a dominant say in security and foreign policy, from the nuclear program to Iraq, which upholds a fundamentalist and nationalistic outlook, and has little knowledge of and few connections to the outside world beyond Syrian intelligence, Hezbollah operatives and the likes of Hugo Chavez, there is little good news and fewer interlocutors in Tehran to be found.

Iran's coming behavior will largely depend on the leadership's reading of the protests. After all, the only threat Khamenei really worried about was a Western-backed color revolution molded



on the Ukrainian or Georgian one that would split the country's political elite, a threat that just materialized, even if it remains contained for the moment.

In the unlikely event that Khamenei, Ahmadinejad, and their supporters have the courage to acknowledge that the popular movement was the result of profound domestic discontent with their dismal stewardship, then Iran may become more inward-looking and freeze its investments abroad.

But if they are convinced, as they disingenuously claim, that the protests have been engineered in the West, then one can expect a more confrontational and angry Iran using its assets abroad to retaliate, with the ability to wreak havoc from Lebanon to Afghanistan if needed. Ahmadinejad may even decide to escalate his rhetoric against Israel and the West to burnish his shattered standing.

What does all this mean for U.S. policy? The Obama administration has maneuvered deftly to balance its strategic decision to engage Iran to prevent it from developing a nuclear capability with the imperative of taking a stand against the manufactured election, state repression, and accusations of foreign meddling. Ahmadinejad's angry attempts at drawing the U.S. into the domestic Iranian dispute have been met with measured reactions from Washington.

With a weakened Ahmadinejad, an inward-looking Iran, and the defeat of Hezbollah at the polls in Lebanon earlier this month, Washington may even feel it is in a better tactical position, but time is still not on its side. Repression and recriminations will complicate and likely postpone the moment U.S. and Iranian negotiators will sit together, time during which Iranian centrifuges will continue to spin.

Even then expectations will be low. A growing number of countries are convinced of the impos-

sibility to reverse Iran's nuclear progress and are already preparing for an undeclared nuclear Iran. For most countries the question will be about the shape of containment, a combination of sanctions that would deter Iran from becoming a declared nuclear power (this will remain too small a price for Benjamin Netanyahu's Israel). And Iran's hardliners may even decide that with internal contestation and foreign pressure converging, a nuclear umbrella would be a welcome addition to their defensive arsenal.

The Arab states, too, will find some short-term relief in this crisis. They are certainly delighted that Iran's positive image in the region, a source of much embarrassment until now, has suffered. Arabs have finally seen on their TV screens that not all Iranians are happy fueling and funding the struggle against Zionist and Western imperialism or proud of their country's ideological isolation when it comes at the expense of more pressing internal priorities. This precious if unprovoked communications victory and the damage done to Ahmadinejad's standing will probably give a boost to their feeble attempts to counter Iran's growing influence in Lebanon, Iraq, and Palestine and facilitate the new U.S. diplomatic activism, including on the peace front.

Even Iran's allies in Damascus and Beirut must have been perturbed by some of the slogans shouted by protesters and seeing Khamenei's authority so internally contested. Hezbollah may copycat Iran's more confrontational posture, but Syria, which has been hoping for a thaw with Western and Arab states, will find itself squeezed.

Whatever advantage and respite the international community may derive from events in Iran may not last long, however. Khamenei and Ahmadinejad are playing for absolute control over Iran, not for cultivating goodwill abroad.



Iran's Nuclear Crisis: Ever a Key Moment

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The Group of Eight (G8) meeting held in L'Aquila, Italy from July 8-10, 2009 could not have come at a more crucial time in the crisis caused by fears that Iran seeks nuclear weapons. The G8 brings together Britain, Canada, France, Germany, Italy, Japan, Russia, and the United States. Washington wants to present a united front in dealing with the Islamic Republic. But the world's most powerful nations face a dilemma in choosing how to navigate a response to Iran's atomic challenge. The West and Russia differ about the immediacy of the Iranian threat, and this leads to disagreement about the nature of tools, such as harsh sanctions, to be used and the timing of their application. Indeed, the United States all by itself—abstracted from bickering with allies—is in Hamlet-like uncertainty about how strongly to react.

Why is this an especially crucial time? First, Iran is continuing to enrich uranium, a fissile material which can fuel power reactors but also nuclear bombs. It is accumulating both low-enriched uranium and the knowledge of how to carry out the strategic process of enrichment. Admiral Mike Mullen, Chairman of the U.S. Joint Chiefs of Staff, warned on July 7 in Washington that time was running out for talks. He said there was “a very narrow window” for negotiations to succeed. Lack of success could mean that Iran gets the bomb, with experts saying this could take from one to five years, or that the United States or Israel decides on military action to shut down Iran's nuclear program. Ominously, U.S. Vice President Joe Biden had said on July 5 that Washington could not “dictate” to Israel what it “can and cannot do” in its dealings with Iran, a statement taken by some as a green light from Washington for Israel to attack Iran's nuclear facilities. U.S. President Barack Obama denied two days later that there was a green light. He stressed that the United States was seeking to settle the dispute through

diplomacy. The back-and-forth may have been confusing, but one thing was clear: the clock is ticking on this crisis, even if it is not yet a countdown.

Second, Iran insists it is doing nothing wrong and continues to defy the international community on this issue. Tehran says its nuclear work is a peaceful effort to generate electricity and that it has an “inalienable” right to do this under the Non-Proliferation Treaty. The twist is that even if Iran only enriches uranium and does not move on to bomb-making, it would still have what is called a “break-out capability” to make nuclear weapons. This means it would have the fissile material needed and could refine weapons-grade uranium when it wished, and then make a bomb. Countries like Japan and Brazil have this capability but do not raise the level of international worry that Iran does. These countries have the trust of the world community while Iran, a nation accused of sponsoring terrorism and seeking regional hegemony, does not.

Finally, Iran is in turmoil after a disputed presidential election. The United States had hoped the vote would produce a government with which to begin negotiations—without preconditions—about how Tehran could answer concerns that it seeks nuclear weapons. The strife in Iran makes this possibility less certain, or at least casts doubt on how quickly serious talks could begin. In one development which apparently shows that Iran's nuclear bureaucracy is not immune from politics, there were reports July 16 that the head of the Iranian nuclear agency had resigned. According to the U.S. news agency the Associated Press, in a dispatch from Tehran: “Officials gave no reason for Gholam Reza Aghazadeh's resignation, but he has long been close to opposition leader Mir Hossein Mousavi, who claims to be the victor in June 12 presidential elections and says the gov-



ernment of President Mahmoud Ahmadinejad is illegitimate.” Mousavi said a government named by Ahmadinejad would be illegal. Interesting, then, that Aghazadeh has chosen to leave a crucial government post. Aghazadeh is also close to Ali Akbar Hashemi Rafsanjani, the former president now seen as the main rival to Supreme Leader Ali Khamenei, who backs Ahmadinejad.

Aghazadeh, 62, a former oil minister, took over the Iran Atomic Energy Agency in 1997 and turned it into the efficient organization it is today. The agency has taken a lead role in building up an industrial infrastructure for the nuclear fuel cycle. Iran now mines uranium, processes it into the feedstock uranium hexafluoride gas and has a large plant at Natanz where some 5,000 centrifuges spin to enrich the gas. Natanz has produced enough low-enriched uranium to refine, if the Iranian government wished, into material for one atom bomb. Progress at Natanz, where only a handful of centrifuges were turning six years ago, has accelerated in recent years.

The G8 did not ignore the unrest in Iran following the June 12 vote. Protests and a harsh government crackdown have stubbornly staggered on since then. The result for the G8: a cautious declaration from the leading industrialized nations about avoiding interfering with Iranian sovereignty but still deploring “post-electoral violence, which led to the loss of lives of Iranian civilians. Interference with media, unjustified detentions of journalists and recent arrests of foreign nationals are unacceptable. We call upon Iran to solve the situation through democratic dialogue on the basis of the rule of law.”

In addition to this declaration, there was a call for Iran to fulfill its international obligations with regards to its nuclear program. The G8 “Declaration on Political Issues” said that the major industrialized nations “remain committed to finding a diplomatic solution to the issue of Iran’s nuclear program and of Iran’s continued failure to meet its international obligations . . . We sincerely hope that

Iran will seize this opportunity to give diplomacy a chance to find a negotiated solution to the nuclear issue. At the same time we remain deeply concerned over proliferation risks posed by Iran’s nuclear program. We recognize that Iran has the right to a civilian nuclear program but that comes with the responsibility to restore confidence in the exclusively peaceful nature of its nuclear activities . . . The G8 meeting on the margin of the United Nations General Assembly opening next September will be an occasion to take stock of the situation.”

As if to underline the difficulty of the Iranian situation for the West, the G8 statement on Iran concluded: “We condemn the declarations of President Ahmadinejad denying the Holocaust.”

Because of the internal unrest in Iran, there were major questions in Italy about how America would proceed. Would the United States temper its push for engagement with Iran? Could the United States engage with a regime that may have come to power fraudulently and was sending police and para-police to beat up protestors? Which clock is ticking, the clock for a halt to Iran’s production of fissile material or the clock for Iran to move so far ahead with its nuclear program that it would be too late to stop it?

Obama reiterated, in comments to the press at the G8 meeting, a September rendezvous. He said the United States and the other major industrialized nations would “re-evaluate Iran’s posture towards negotiating the cessation of a nuclear weapons policy. We’ll evaluate that at the G20 meeting in September” in Pittsburgh. It will be a moment to “take stock of Iran’s progress” in fulfilling its responsibilities to the international community. Obama did not spell out but was clearly referring to UN Security Council resolutions which have called on Iran to suspend uranium enrichment and fully cooperate with an investigation of the UN nuclear watchdog, the Vienna-based International Atomic Energy Agency (IAEA). Obama avoided setting a deadline but did state, “We also say we’re not going to just wait

indefinitely and allow for the development of a nuclear weapon, the breach of international treaties, and wake up one day and find ourselves in a much worse situation and unable to act.” He went on to say, “Now, we face a real-time challenge on nuclear proliferation in Iran. And at this summit, the G8 nations came together to issue a strong statement calling on Iran to fulfill its responsibilities to the international community without further delay.”

“We’ve offered Iran a path towards assuming its rightful place in the world. But with that right comes responsibilities. We hope Iran will make the choice to fulfill them.” Obama said, “If Iran chooses not to walk through that door, then you have on record the G8, to begin with, but I think potentially a lot of other countries that are going to say we need to take further steps.”

Obama did not say what those steps would be or when they could come. We are in a grey area where the United States is trying to learn from years of diplomatic failure. After all, Iran has since 2002 defied international pressure while forging ahead with the assembling of an industrial complex to produce enriched uranium. The Iranians, who have in the past had fissile materials promised from both Western and Russian suppliers withheld or delayed in delivery, say they are only guaranteeing the independence and reliability of their peaceful, civilian program. Indeed, Iranian officials are annoyed that the West and the UN Security Council still suspect them of wanting to make nuclear weapons and continue to block their progress with sanctions and other trade restrictions.

Washington, however, wants to impress its take on the crisis. To do this, three lessons should guide it.

Lesson Number One: Don’t let Iran off the hook


The United States was determined to do this before the significant change in Iran, when demonstrators streamed in the hundreds of thousands into the streets to clamor against the presidential vote. The protestors felt that

electoral fraud by the ruling regime had kept hardline President Ahmadinejad in office. Washington had set its sails before the vote. It was determined to move quickly on its tactic of offering to talk with Tehran without preconditions but not hesitating to impose strong sanctions if Iran failed to move toward suspending enrichment. Crucial checkpoints were set: by September, Iran was to carry out confidence-building measures such as freezing enrichment at current levels; by December, Obama was to review how things were going.

As protests and the government crackdown continue, Washington must confront the question: Should it revise the timetable for engaging Iran in order to give the country time to resolve its political crisis? Perhaps.

The Iranians may be focusing more on their domestic dispute than on nuclear talks. On the other hand, even if the Iranians want to talk, bilateral meetings with a regime that brutally suppressed dissent could send the wrong signals. In any case, a meeting hoped for in July of European Union representatives with Iranian nuclear negotiators, as a first step toward serious talks, is on hold, officials concerned told me. But on the positive side, Iranian Foreign Minister Manouchehr Mottaki said in Tehran on July 11 that Iran was working on a proposal for talks. “We are formulating a new package, which covers a range of political, security and international issues and can be a basis for talks on regional and international affairs,” Mottaki was quoted by Iran’s state-run Press TV as saying at a press conference. It was not certain, however, if this would focus on the nuclear issue. Ahmadinejad had said last April 15 that Iran would present a new proposal for talks with the P5 plus 1, the five permanent members of the UN Security Council plus Germany. Tehran has not yet done this.

But Washington’s revision of its timetable carries a potentially steep price: it would give Iran more time to develop the capability to make a bomb. Obama’s comments in Italy about stock-taking were designed to show that this is not the case, that sanctions could still



come quickly. U.S. Secretary of State Hillary Clinton has said these would be “crippling sanctions.” European countries, particularly France, want the punishment to go far beyond what has been tried so far. The French want sanctions to be a game changer, to create a situation that would force Iran to change its behavior. It is not clear, however, how things will play out and how much the domestic situation has changed in Iran due to post-electoral divisions. The conventional wisdom was that Iran would weather sanctions well. It is a developing, not a developed, nation, so it has a less sophisticated economy that is relatively able to handle hits to consumption and lifestyles. The Islamic Republic also has a history of rallying against foreign influence when faced with adversity. Of course, the current unrest could stand all this on its head. Hard times might embolden protesting Iranians. Sanctions-incited privation would make them angry at the regime and not at the foreigners ladling out the punishment. But then again, it might not. Most diplomats and analysts admit it is impossible to predict how the Iranians would react.

Lesson Number Two: Don't be specific

This seems counterintuitive, but look at the record. The Iranian nuclear crisis is littered with “red lines” for taking action. The lines faded to pink and then disappeared as nothing definitive was done. Iran has now made enough low-enriched uranium to be able to refine out further, if it chose to, a so-called “significant quantity” of highly enriched uranium, the amount needed to make one atom bomb.

In the early days of this crisis, in 2004 or 2005, it would have been inconceivable that Iran could advance so far before being shut down by some kind of sharp reaction. But now both the United States and Israel are reluctant to say at what point they would have no choice but to take strong action. Why? The logic is that Iran would want to have low-enriched uranium for several bombs, not just one, before it

re-aligned its centrifuge machines for weapons-grade enrichment. And then it would take a year to refine the uranium to weapons levels, though some analysts say the Iranians could do this faster, especially if they have secret sites.

The U.S. tactic now is to avoid putting up signposts, to be free to assess the situation without being bound to a deadline. A European diplomat told me the West was being careful to understand the “difference between aspiration and reality.” The goal may be to move quickly on sanctions but this may be difficult in a UN Security Council where key Iranian trading partners Russia and China have vetoes. Obama tried to get the Russians to promise him support, if necessary, on sanctions during his visit to Moscow just before the G8 summit, but it is not clear what pledges he got and how the Russians will act when the time comes for them to back tough measures.

Lesson Number Three: Have limits

Cynical observers of the West's attempts to negotiate, which have sputtered along since secret Iranian work was revealed in 2002, say the table is set for yet more stalling by the Iranians. Iran has managed to parry the pressure imposed on it so far. It has not yet fully complied with a UN nuclear investigation that began in 2003. The inquest is stalled over Tehran's refusal to answer questions about possible military work in its nuclear program. And Iran is defying UN Security Council resolutions calling on it to suspend uranium enrichment.

Iran's political crisis could, ironically, turn out to be a tool the Iranians use to win more time. Some analysts say Ahmadinejad will be weakened and may seek talks in order to show that the West accepts him as a legitimate president. But the Iranians are far from striking a deal. If the Obama administration is serious about wanting to keep Iran from having a nuclear weapons capability, it will have to impose its own schedule. The “taking stock” strategy is an attempt to do just that.



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