

Iran and the geopolitics of the Mideast

Daniel Brumberg, Marvin Weinbaum

Daniel Brumberg and Marvin Weinbaum presided over a panel discussion on the shaky economic and political landscape in Iran and the neighboring region.

The reform movement in Iran has seen better days, noted **Dan Brumberg** in his opening remarks.

"The election of President Khatami in 1997 seemed to signal the rise of a reformist trend in that country that came, in many respects, from within the regime.

"The reformists were able to link up with the student movement outside the regime to create a pretty forceful movement. But the state became more and more repressive and cracked down on the movement's activities. As a result, the critical coalition needed to get the ball rolling towards some sort of reform didn't emerge.

"Things have gotten to the point now where you have a fragmented student movement. The reformists, who still have a majority within the parliament, are fragmented and divided themselves.

Half of Iran's 68 million people are under the age of 25 and weren't alive in February 1979 when the Islamic revolution, led by the late Ayatollah Khomeini, overthrew the Shah. "They have no sense of the kind of issues that drove the revolution, and they don't like being force-fed Islamic dogma by the state."

Brumberg cited diplomatic efforts over the past year to get Iran and the United States to talk to each other. "It's clear that if Iran is going to talk to the United States, the hard-liners are going to be in charge of it, not the reformists.

"The administration, I think, has learned that not only is there not going to be a quick revolution in Iran as was hoped, but that if we are going to talk to the Iranians, we're going to have to talk to the bad guys & the hard-liners."

Said **Marvin Weinbaum**, "Evidence exists that when the two countries have important interests in common they can talk." He cited two occasions when this happened.

"During the time when the Taliban were controlling Afghanistan, we regularly talked to the Iranians and found them quite helpful. They were willing to let us take the lead in Afghanistan. When the Taliban fell and we were having trouble putting together the government headed by Karzai, the Iranians went in and told some of the hard-liners there that they had better play ball.

"There is a debate going on in Washington now about how we deal with Iran. As Dan said, we are going to have to talk to people who, at least on the surface, don't want to talk to us. But there are discussions going on behind the scenes and we have to decide within our own administration whether Iran is part of the axis of evil or whether Iranians are pragmatic and do what's necessary when they have to.

"And there's a debate going on within Iran, even among the so-called hard-liners, as to whether they should open a dialog with the United States.

"The notion that the Iranians are ripe for another revolution is a pipe dream. When the Taliban first came in, the country that spoke up much more than we did against the Taliban was Iran. At one point the Iranian leadership said, "Those Sunni, they give Islam a bad name."

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The Iranians are nationalists and want their country to be successful, Weinbaum said. "They want a different regime. They want the religious types to get out of government and go back to playing a religious role. It's a far more nuanced picture than sometimes we hear in this country and that picture is constantly changing.

"We have to be alert to those changes."

Q. *My understanding is that the bulk of the religious leaders in Iran would prefer to be out of the business of running a government and let a more professional group run things. Any comments?*

Weinbaum: I don't think that describes most of those who are currently holding positions of power. Most of them are enjoying the perks of power.

Brumberg: Under the late leader of Iran, Ayatollah Khomeini, the regime created these huge financial institutions which the state couldn't control and were put in the hands of many of the clerics. There's a huge and very powerful faction of clerics who today run the state. They have economic, political and judicial power and don't want to give any of it up.

Q. *In Western culture, who would the clerics be equivalent to?*

Brumberg: If the Vatican had control of all of Italy, which would be equivalent. Otherwise, there's no equivalence in that sense. What happened under Khomeini was that the clerical establishment, which had been in opposition to the United States, became the state. That was a relatively new invention in Shiite history; therefore, they do run the state. In the Sunni world, the clerics attempt to have an influence over politics by fashioning alliances with the political leadership. But they don't play a role as commanders of the political institutions of the state.

Weinbaum: Through the history of most Christianity and the church, there was this constant struggle between the secular and the religious. More often than not, the secular won out. In Iran, we're talking about a situation where the religious establishment essentially defines what is acceptable in governing the state and the society at the same time.

Q. *Is Iran a normal operating economy with a lot of European joint ventures and the bustle you would associate with an open economy? Or is that not the case?*

Brumberg: Up to a point that is the case. The sanctions we've imposed have not prevented others from doing business and taking advantage of opportunities. But the fundamental impediment to foreign investment in Iran is not sanctions; it's the nature of the Iranian economy which, with the possible exception of the oil industry, is a disaster for foreign investment.

Weinbaum: Whereas the state structure may inhibit direct foreign investment, the Iranians are good at selling what they have through bazaars. This is a largely informal economy. Of course, they're still selling oil.

Q. *I understand why we would want to negotiate with the Iranians. But I don't understand how it's in their best interest to have talks or negotiate with us.*

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Weinbaum: There are many there who claim that there's nothing much to be gained by talking to us. In fact, it would delegitimize them if they did so. But the more pragmatic who want to see Iran succeed in the global economy know that you cannot bypass the United States.

Brumberg: I really think that formal relations between Iran and the United States are not possible. This process would have to have some relationship to the Arab-Israeli question and Iran's support for Hizbollah, Hamas and Islamic jihad terrorist organizations in Palestine and Israel. So they would have to give up an awful lot.

The Iranians are constantly talking about dignity, their dignity. They want to be shown respect. On the one hand, they want to be talked to as the major power broker there; yet, they don't want to do the kinds of things that are necessary to play the game because that would be giving up the ideological prop of the state.

Weinbaum: I think Iranians are breathing a little easier today. Given what's happened in Iraq, they see that we're not going to move on Iran anytime soon. What we have demonstrated is that Iraq was not our reach but our limitations.

Q. What do you think Iran's major foreign policy objectives are currently?

Weinbaum: It wants to be a power and to do it without falling into the American orbit. The Iranians are very independent. They're a people with a history, and like the Egyptians they're very proud of that history. They have a language that they're proud of, a culture that they're proud of. They want to secure their neighborhood and play a major role in the Gulf. They want oil prices to be at a desired level.

Brumberg: They feel vulnerable. They want to be part of some sort of regional strategic system as well. They haven't figured out how to do that.

Q. Are they influential within the Middle East in terms of their policies and government structure? Or are they sitting on the sidelines?

Brumberg: One of the props of the revolution was Komeini's opposition to the Sunni monarchies. Khatami reversed that and established relations with the Arab states. That has vastly decreased the concern of the Arabs about a Shiite revolutionary threat.

Weinbaum: There's always going to be a certain amount of tension here because a good orthodox Sunni looks at a Shiite and sees a blasphemer. He doesn't see another Muslim, even though the two religious beliefs, aside from some historical issues, are not very different. But that difference turns out to make all the difference.

Q. Are the Shiite communities outside of Iran, particularly those in Iraq, Arab or Iranian?

Brumberg: Shiites in Iraq are largely Arab.

Q. Incredible reform and progress have been made in Central Europe since the iron curtain came down. Why haven't the Middle East and Central Asia been able to do the same?

Brumberg: In the Arab world there are interwoven factors of economics and politics. Most leaders of Arab states preferred to purchase the political support of the populous by providing economic and social

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goodies. As a result you had a very powerful constituency in society that did not view market economies as in their best interests. Because as soon as the state begins to move towards a market economy, it withdraws the supports, cuts budgets and rearranges its political foundations in a way that is threatening to significant actors in the economy itself. The political cost of a dramatic process of reform was so high that the regimes were not willing to undertake it. In Eastern Europe, reform was about freedom from Soviet control. And in the enthusiasm of that process, the economic costs were not immediately obvious to a lot of the players. They wanted the political liberties and nobody was going to give up the fight for democracy. This is not the same thing in the Arab countries where the focus is on maintaining the status quo because of the perceived consequences. The whole question of economic reform in much of the Arab world is a cultural issue and this creates a huge impediment to reform.

Weinbaum: A good portion of the population is engaged in the informal economy which the government has very little control over. But it's fair to say that there have been no economic breakthroughs in the region and not much in the way of foreign investment. Many of the oil producing states that at one time were flushed with capital are heavily in debt. Their population growth has exceeded their ability to produce sufficient jobs. Particularly dangerous are the jobless educated people who have higher aspirations and who, therefore, are susceptible to radical politics. If they're lucky, these people go outside the country and send back remittances. But most of them are caught within the country and they are desperate. The Saudis are particularly anxious about this now.

Q. *Where do people acquire skills? Are there differences among the madrasses? What other educational opportunities are there?*

Brumberg: Most of the Arab world do not have madrasses. They have public education and the schools are controlled by the state. The difficulty of reforming education in the Arab world is due to the fact that the educational system, the economy and the political system all work together. We have this notion in the United States that if you just educate people, things will change. But that's not necessarily the case. Iranian women had great expectations from the reform movement in Iran. Their literacy rate shot up from 25 percent to 70 percent. But power has remained in the hands of the clerical establishment. So you have a new consciousness produced by all that education but no capacity to turn all those ideas into political outcomes.

Q. *It doesn't matter what the Saudi government does today; it should have done something many years ago. An equally important issue is the supply side argument, the availability of opportunities for investment. In a sense I believe that makes it much more difficult for countries in the Middle East. Even if they reformed their economies, they have missed the boat because now they have to compete with places like Eastern Europe which, despite their oppressive political system, succeeded in the nearly 45 years of Soviet rule in creating a fairly educated work force.*

Brumberg: You're absolutely right. Where are the opportunities to turn this around to create the sort of supply-side solution that you're suggesting? You've got to have an economy of scale to start servicing your own population and then look outward. That was the approach taken by a lot of Third World countries in East Asia. But the Arab world doesn't have those opportunities. The constraints are huge. I agree that the boat has been missed and I'm not sure that you can ever get it back again.