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Can the Vienna Agreement Solve Iran's Problems?

Seyedamir Hossein Mahdavi

In July 2015, Iran along with the five permanent Security Council members, and Germany (known as the P5+1) reached a Joint Comprehensive Plan of Action in Vienna.¹ The agreement, among other stipulations, provided Iran with the promise of sanctions relief in return for verifiable curtailing of its nuclear program. The Iranian government and its people have had high hopes over the past few years for the economic effects of a potential lifting of the sanctions. The country's difficult living conditions—especially after Security Council Resolution 1929 was adopted on June 9, 2010²—was a determining factor in the election of President Hassan Rouhani in the presidential election of 2013. Rouhani made resuming relations with the West and the elimination of sanctions his campaign themes, and since the beginning of his first term in 2013, he has given almost his entire, undivided attention to negotiations with the P5 + 1. The street celebrations across Iran after the Vienna Agreement along with the attention paid by the press, political parties, and even the regime's opposition groups from outside of the country were indications of how much Iran's people are depending on the expected economic effects of this agreement.

The government and people of Iran hope that with normalization of the relationship between Iran and the world, serious economic crises—widespread unemployment and low growth in purchasing power, as well as the low purchasing power itself—will be resolved. For their part, Iran's global critics and regional rivals have raised many concerns about the increase in Iran's

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regional power and the leverage it could wield once it receives billions of dollars in now frozen assets. But how realistic are these different sets of expectations and concerns?

This Brief will assess the validity of the optimism and expectations resulting from the Vienna Agreement and the possible large scale relief of sanctions ensuing from it by examining some of the most trenchant obstacles the Rouhani government faces today. Specifically, the Brief will first identify three inter-related economic and political crises that arose independent of the sanctions and thus cannot be resolved through the unfreezing of Iran's assets abroad: the legacy of former president Mahmood Ahmadinejad's economic mismanagement, the unprecedented number of job seekers entering Iran's economy, and the expanded role of the Islamic Revolutionary Guard Corps (IRGC) in the Iranian political arena. It then looks at the ways in which these three crises form a "perfect storm," such that the flow of money as a result of the lifting of sanctions while ameliorating one crisis will only work to exaggerate another one. Against this backdrop, the Brief will conclude by examining three probable scenarios concerning the effects of the agreement on the future of Iran in the short and medium terms, including the February 2016 Parliamentary and Assembly of Experts elections.

Iran Today: Economic and Political Crises

The level of organized governmental corruption under Ahmadinejad, along with the inflationary depression, has created the worst economic conditions ever recorded according to Iranian national statistics. The corruption was so widespread that two former presidential deputies are currently imprisoned, and the accusation of a \$2.7 billion oil fraud under Ahmadinejad's presidency is still in court.³ Aggravating Iran's domestic difficulties is the historic growth in the number of job seekers. The baby boom of the 1980s, which sparked a 50 percent growth in Iran's population in less than a decade,⁴ now seriously threatens the economy of Iran. Today's youth aged 25 through 35, who account for 23 percent of the Iranian population, entered the job market almost a decade later in life, owing to the policy of expanding post-graduate education in Iran. Moreover, exactly in the middle of Ahmadinejad's presidency, in 2009, the worst political crisis during the thirty-seven-year history of the Islamic Republic of Iran took place, which had deep effects on the political structure of Iran. The protest movement caused by the 2009 presidential election, which was suppressed by the IRGC, led to a restructuring of power within the Iranian government. What resulted, particularly the IRGC's intervention to the highest possible extent in both the Iranian economy and politics, is among the major factors damaging efficient governance in Iran.

Ahmadinejad's Legacy: Economic Mismanagement

Ahmadinejad was fortunate to have come to power in 2005 when oil prices were reaching their highest long-lasting level since the establishment of the Islamic Republic.⁵ This permitted him to bypass the law by implementing provocative short-term policies that allowed him to spend the resources at his disposal in order to buy political loyalty. This practice, which continues today, became a necessary tool for consolidating the position of the Supreme Leader in the second period of Ahmadinejad's presidency due to the widening rift between the Supreme Leader and a significant number of Iran's ruling elites as a result of the contested 2009 presidential election. The respective needs of the Leader for loyalty and of Ahmadinejad for popularity, along with the international sanctions imposed on Iran, severely weakened the Iranian economy.

From 2011 to 2013, production, consumption, and investment in Iran decreased by 14, 13, and 36 percent, respectively. The dollar exchange rate tripled, and prices rose by 70 percent.⁶ The purpose, for Ahmadinejad, of the reckless increase in liquidity, which led to severe inflation, was to win over the working class as his ally. However, as with the policies of his strategic ally Hugo Chavez, the former president of Venezuela, Ahmadinejad's populist policies hurt these low-income groups the most. The Ahmadinejad government printed large amounts of money without backing to finance two populist projects: building housing for low-income families and paying cash subsidies to all Iranians as a substitute for subsidizing energy products. By some measures, at least half of the 40 percent inflation by 2013 was due to the Ahmadinejad's government's ordering the Central Bank of Iran to finance cheap mass housing projects.⁷

Facing no barriers and often working with the approval of the Supreme Leader, Ahmadinejad implemented his populist projects at the cost of damaging the foundations of the national economy. He reduced development credits, distributed money to people, and fixed currency prices in the first six years of his government in order to create temporary welfare projects, and he spent all foreign exchange earnings on imports. The Iranian economy's dependence on imports has increased systematically since 2005, leading to the emergence of a new class of wealthy entrepreneurs. Eighty-three billion dollars' worth of goods and services entered Iran in 2011, the highest amount spent on imports in the country's history.⁸

Ahmadinejad's team worked on the assumption that they would be in power for only a short time, and decided to make the most of the opportunity to accumulate the maximum amount of wealth. And this could happen only through trade and imports, not through production. So instead of creating companies, they preferred to import goods to finance their own elites, while making available cheap foreign goods using the income derived from oil sales. The thirst to accumulate wealth in order to strengthen those close to Ahmadinejad severely damaged production in Iran and led to widespread corruption.

In addition, widespread international sanctions led to extensive plundering by the so-called mafia networks that, with the support of the government in the security atmosphere that prevailed in the country after 2009, operated smuggling networks to bypass the sanctions. As such, the effects of sanctions might have been less deleterious on the Iranian economy than the effects of mismanagement and the determination to accumulate wealth through reliance on imports.

By 2013 when the Rouhani government came to power, corruption was so prevalent that the Supreme Leader gave his permission to the judiciary to deal publicly with those

responsible for it. At present, a land-mongering case involving the head of the Election Commission in the Interior Ministry during the 2009 election is being investigated in court.⁹ Similarly, the 2009 public prosecutor of Tehran, who issued the order to squash all protests, is free under heavy bail.¹⁰ The first vice president¹¹ and the executive vice president under Ahmadinejad have both been imprisoned, after being found guilty of corruption.¹² The largest economic corruption case in Iranian history, in which one person received approximately \$3 billion worth of Iranian oil to sell in order to bypass sanctions and did not return a single dollar to the treasury, is also being investigated. The latest case that has attracted the attention of the media is the disappearance of an \$87 million oil rig.¹³ The money for the purchase of the rig was paid to an intermediary company, but no rig has entered Iranian waters.

Rouhani's Plight: A Flood of Unemployed People

In 2011, as a result of Ahmadinejad's populist economic policies along with the sanctions, Iran fell into a worsening recession. Iran is currently confronted with the largest pool of job seekers in its history, and, if it fails to properly respond to this enhanced labor supply with a very high economic growth rate, it will likely enter into an era of irreparable economic crisis. The highest birthrate in the history of Iran occurred in 1980, coinciding with the first decade of the Islamic Revolution and the commencement of the eight-year-long Iran-Iraq war. Some regard the high birthrate as a natural result of demographic trends, while others attribute it to the government's encouragement of population growth during the war. Whatever the cause (or causes), Iran's population grew from 39 million at the beginning of the 1980s to 57 million by the end of the decade.¹⁴

People born during the baby boom of the 1980s gradually entered the labor market starting in 2005. In fact, during the eight years of Ahmadinejad's presidency (2005–13), the labor market was faced with the greatest number of job seekers in modern Iran's history¹⁵. But because of the import-oriented economic policies in the eight years of Ahmadinejad's presidency, and despite the flow of nearly \$700 billion into the country, only fourteen thousand new jobs were created on average per year.¹⁶ This number is considered to be close to zero for a country with a population of eighty million. To remedy this problem, and to prevent the occurrence of a crisis, the Ahmadinejad government delayed the entry of people born in the 1980s into the labor market by rapidly increasing the number of higher education offerings (albeit many of low quality), expanding both doctoral and master's programs.¹⁷ As such, young people who were ready to work spent a few more years in university before applying for jobs. According to the projections of the ministry of economic affairs,¹⁸ from 2013 until the end of Rouhani's term in office in 2017, eight million job applicants will be entering Iran's labor market.

This means that in order to just keep unemployment at its current rate, Rouhani's government must create new jobs equivalent to almost half the number of current available jobs by the end of his second term in office—provided he is re-elected in 2017.

To understand the critical nature of the situation in Iran over the next six years, one needs to consider that the highest annual job creation rate in the history of Iran was that of 2004,¹⁹ when more than eight hundred thousand jobs were created, concurrent with an economic growth rate of 7 percent. Thus, even a repetition of this past record will not be enough to stabilize the current unemployment rate. At the same time, it should be noted that the economic growth of more than 8.4 percent²⁰ occurred during the presidency of Mohammad Khatami,²¹ when relations between Iran and the world were much better, oil prices were higher, and the Security Council had imposed no economic sanctions on Iran. The current economic system, which is more corrupt and more militarized, has fewer resources, and is more isolated from the outside world than in 2004, cannot be expected to produce the one million jobs or more annually that is needed to confront the current crisis.

Governance: The Intervention of the IRGC

Along with all the aforementioned economic issues, the biggest political crisis in the Islamic republic's history occurred precisely in the middle of the Ahmadinejad presidency when after the 2009 electoral crisis, the IRGC emerged as an even more significant player in the government of Iran. The IRGC was formed in May 1979 in response to the revolutionaries' distrust of the army, which was left over from the monarchy. Two years later with the beginning of the eight-year war with Iraq, the Islamic Republic began to organize Islamic volunteer forces to confront domestic threats by opposition groups as well as Iraqi attacks on Iran's western borders. The commencement of Ayatollah Khamenei's leadership in 1989 was concurrent with the end of the Iran-Iraq War. When Khamenei was selected as the Supreme Leader of Iran, not only did he pay considerable attention to the IRGC, but he also assigned it new roles, to replace the narrower role it had had during wartime. During the four presidential terms of Ali Akbar Hashemi Rafsanjani (1989-1997) and Mohammad Khatami (1997-2005), Khamenei strengthened his own power against the executive branch of the government by developing and extending the role of the IRGC, which then began to be involved in various types of construction projects, medical care, commercial industries, intelligence, and cultural activities as well as in organizing the Iranian revolution's proxies in the Middle East. The IRGC is currently active as well in constructing railroads, managing hospitals, banking, and media in addition to domestic security and foreign policy.

The Green Movement of 2009, which is considered to be the most important protest movement in the history of the Islamic Republic, changed the dynamics of the IRGC within Iran's power structure. Many of the regime's veteran figures supported the protests against the contested re-election of Ahmadinejad either implicitly or explicitly. In addition, a considerable number of people, especially in Tehran, supported the movement by marching in the streets. During this period, commanders of the IRGC, along with its civilian branch, and its militia (Basij) played the most important roles in confronting protests and enforcing the Supreme Leader's commands. A great number of political reformists were arrested by the IRGC, and the protests were finally suppressed, with about 100 casualties.²²

The effective and successful role the IRGC played in confronting the crisis of 2009 defined a new role for it in Iran's domestic policy. The status of the IRGC was enhanced after this period, and it was now defined as the "protector of the revolution's achievements" with respect to core Iranian policies. Concurrent with internal Iranian developments, instability in the region helped the IRGC extend its role in Syria, Iraq, and Yemen.²³ As of now, the IRGC not only has significant leverage with respect to all domestic affairs in Iran, but also plays key roles in Iran's policies.

As it has evolved over the past six years, the relationship between the Supreme Leader and the IRGC could be considered more of a horizontal relationship, defined by shared interests, than the vertical one of commander and soldiers—a sort of give-and-take and mutual interaction in which both parties are inevitably bound to meet the requirements of the other. Before 2009, Ayatollah Khamenei used the IRGC as a means of extending his power, but the IRGC was, as noted, the protector of the regime against the Iranian Green Movement and in effect succeeded in saving the regime in the face of massive protests.

One of the manifestations of this reconfiguration of the Supreme Leader/IRGC relationship was in the 2013 presidential election. As explained elsewhere,²⁴ Khamenei who is well aware of the economic difficulties caused by the sanctions, persuaded the IRGC to accept the decision to hold a relatively healthy presidential election in 2013, an election that ushered in the moderate Hassan Rouhani into the executive branch. This meant that in return, the IRGC was given a relatively free hand to intervene in the Rouhani presidency, particularly on the issue of the nuclear negotiations. As a result, the IRGC has imposed many pressures against any action to decrease animosity between Iran and the West during the first two years of Hassan Rouhani's presidential tenure. Almost all of the media outlets, MPs, and political groups supported by the IRGC were against the nuclear agreement.

Moreover, the IRGC has effected several practical measures to block Rouhani's reforms, such as arresting cyber activists as well as a *Washington Post* reporter in Tehran and preventing speeches by reformist figures in Iranian universities.²⁵ The IRGC knows very well that the normalization of relations between Iran and the world and the removal of sanctions will lead to a decrease in its role in the Iranian economy. In addition, alleviating the tension between Iran and the United States and increasing the possibility of extending negotiations to non-nuclear issues may decrease the influence of forces in the region who are close to the IRGC.

Unlimited power in the hands of one branch of the political system and the interference of military force in all aspects of governance are among the evident obstacles to ideal governance in Iran. President Rouhani has tried to limit the IRGC's involvement in domestic economic activities, but thus far with little success. And he has noted, implicitly referring to the IRGC, that "[w]ith the consolidation of power in one institution corruption is created, regardless of what you do. If the guns, the money, the newspapers, the websites [are] gathered in one place, certainly there will be corruption."²⁶

At present, all hopes of the Rouhani government and of Iranian society are pinned on the lifting of sanctions. However, solving the problems of corruption, unemployment, and the intervention of the armed forces in running the country may be more difficult than solving the nuclear issue. These three problems facing Rouhani's government cannot be resolved just by freeing Iran's frozen assets abroad. Lifting of the sanctions can somewhat reduce the intensity of these three major crises, but it might also have deep political and social consequences in the country.

Sanctions Relief and the Perfect Storm

Budget revenues in Iran have been under intense pressure from last year's falling oil prices in addition to the U.S.-led sanctions. The Iranian government has practically no resources to create new jobs, and its income is not enough to pay the previous government's debt to banks and contractors, not to mention the ongoing costs of running the government. That is why the most important consequence of the Vienna Agreement for Iran's economic health would be increased capital investment in the country. The government is waiting both for the release of a portion of the money—roughly \$100 billion²⁷—that has been blocked by the sanctions regime, and to attract foreign investment. The direct flow of oil revenue into the country's economy will cause a Dutch disease,²⁸ similar to what happened during the first term of the Ahmadinejad presidency. This means that if the government converts all the released money into the country's national currency—

the rial—and injects it into the economy, the subsequent exchange rate decline will hurt Iranian exporters. But if the released dollars are used to import goods, this will negatively affect domestic product sales.

So if the released money is used to create temporary prosperity domestically, it will lead to a loss of jobs, but if the government invests the money outside the country's economy, then the national thirst for tangible results from the nuclear agreement will not be satisfied. Thus, the issue of how to use the blocked money leaves the government between two difficult choices: to respond to widespread unemployment, or to raise Iranians' purchasing power. Neglecting people's purchasing power will presumably reduce popular support for the government of President Rouhani. But the persistence of high unemployment rates will also reduce chances for the survival of President Rouhani's government as well as the outlook for his reformist supporters in the medium term, potentially also leading to social and political unrest among unemployed youth.

Restoring confidence among domestic investors will also be a major challenge. The growth rate of investment in Iran in 2012 and 2013 was negative 23.8 and negative 6.9 respectively.²⁹ A high inflation rate, a sharp devaluation of the national currency against the dollar, and the threat of a military strike led people to withdraw their capital from the production sector and keep it in safe assets, such as foreign currency and gold, or take their capital out of the country.

During this period, some of the people close to former president Ahmadinejad and/or the IRGC got the upper hand in bypassing sanctions as a result of the prohibition of exchanging money abroad and the ban imposed on many government agencies. Informal commerce and evading sanctions have in fact been institutionalized in the Iranian economy—and certain military-security networks that have been earning a living from this institutionalization will continue to exist after the Vienna Agreement. They have formed an economic infrastructure compatible with their own political and economic interests.

A trade system built on the circumvention of sanctions, however, would be a major barrier to economic growth after the suspension of sanctions. The private sector needs a transparent and competitive environment in order to conduct business. Independent investors won't be able to compete with rivals who enjoy the support of military, intelligence, and judicial insiders. Meanwhile, the Rouhani government won't be able to enjoy the fruits of the Vienna Agreement and create jobs in the absence of the private sector's trust and investment growth. The government will be forced to fight the so-called mafias, whom Rouhani described as "the merchants of sanctions" in Iran and China and elsewhere."³⁰

And a government crackdown on this powerful network will certainly trigger a response from the mafias' powerful supporters.

The Iranian opponents of the nuclear deal did whatever they could, including holding rallies, making speeches, and writing articles, to prevent the deal. The post-deal era and the entry of an independent private sector into the economy could potentially launch a financial competition with those opponents. The form and extent of a confrontation between the government and the military-intelligence mafia remain unclear, but the consequences of that confrontation would be decisive for the future of Iran.

The social and cultural impacts of the nuclear deal will also trigger a response, from the Supreme Leader's social base to President Rouhani. The majority of the Basijis are those whom President Obama called "those hardliners chanting 'Death to America'" in Iran.³¹ The best estimate of the number of this social sector can be derived from the four million votes (12 percent of those voting) cast for Saeed Jalili, Iran's top nuclear negotiator during the Ahmadinejad presidency, in the 2013 presidential elections. This group, though relatively small in numbers, plays an important role in the Iranian power structure. Staunch supporters of the Supreme Leader, and described as strongly Islamic, hostile to Western culture, and committed to a permanent fight against the U.S., its members are said to be "the first to come to the ruling regime's help if a problem arises."³² Hence it makes strategic sense for the Supreme Leader to keep them satisfied—for which reason the Supreme Leader declared after the Geneva Agreement, in a meeting with the IRGC's student branch, that "the fight against the U.S. will continue."³³ But as demonstrated above, satisfying the Supreme Leader's staunch supporters, however, is not compatible with integration into the world economy.

The contrast between the cultural, social, and economic consequences of integration into the global market and the IRGC loyalists' revolutionary beliefs constitutes one of the most significant obstacles to the Rouhani government in proceeding with its economic policy. In the early months after the Vienna Agreement, the conservative newspaper Kayhan, acting as the mouthpiece of this social base, floated the possibility of McDonald's' entry into the country as "changing a page in history with French Fries."³⁴ The intellectual discourse of the loyalists revolves around concepts such as the West's "cultural invasion" and a "cultural NATO."³⁵ They have grown sensitive to the entry of Western brands into Iran, and even to Western tourists visiting the country—and it will not be easy to change their system of values. Meanwhile, the events of 2009 have not been forgotten, and the Supreme Leader has not developed enough trust in supporters of the Rouhani government to rely on the moderate faction and ignore the support of his own loyalists. It can be expected that the Basijis' frustration with the Vienna deal, and with Western

entry into Iran and its market, will be reflected in limitations on cultural freedoms, such as a strict dress code or a ban on concerts, in the coming months.

Governance in Iran after the Vienna Agreement: Three Possible Outcomes

The post-agreement era in Iran will certainly be different from the period before the agreement was concluded. There are three possible scenarios with respect to governance in Iran: the strengthening of Rouhani's government, success for the opponents of the agreement, or maintenance of the present balance of power.

The first possible outcome is the ascendancy of Rouhani over his opponents. Under the current power structure in Iran, the executive branch—the only part of the political system under Rouhani's control—has the upper hand only with respect to the implementation of economic policies, such as foreign exchange, banking, and taxation; power in the other domains of governance is in the hands of non-elected institutions. It should be kept in mind, however, that the entire power structure in Iran, both under the rule of the founder of the Islamic Republic, Ayatollah Khomeini (1979–89), and during the era of Ayatollah Khamenei (from 1989 to the present day), has operated under the permanent threat of regime change. The Joint Comprehensive Plan of Action is the first official document since the Revolution of 1979 under which Iran and the West, and particularly the U.S., reached an understanding regarding some sort of security guarantee for the Iranian system. In other words, the JCPOA functions from the Iranian perspective as a reduction (or perhaps even elimination) of the threat of regime change that has been hanging over Iran for over a decade for the following four reasons: it is the first comprehensive agreement between Iran and the US since the revolution; it is the only time since 1979 that sanctions are being removed not added; it has for the time being marginalized the discourse of regime change in the United States; and it has secured Iran's right to industrial uranium enrichment thus guaranteeing Iran's sense of sovereignty.

With the removal of the dual threats of war and regime change, the opponents of the Rouhani government, especially the IRGC, will have a harder job convincing their supporters and members that the Islamic Republic is under an existential threat by the West. Under such conditions, if Rouhani keeps his distance from the leaders of the Green Movement and the reformists, the Supreme Leader will feel safe from any internal threat, allowing the Rouhani government to gain Khamenei's support in carrying out its domestic agenda.

An indication that this scenario will come to pass would be accreditation of pro-government candidates for the Assembly of Experts and Parliament elections scheduled for February 2016. If the representation of technocrats and moderate parties in the Iranian parliament is strengthened, Rouhani's administration should derive economic benefit in the short term and be able to initiate a course of long-term economic growth. And given the age of the Supreme Leader, a moderate Assembly of Experts could potentially during its eight-year period choose a new Leader who could direct the future of the Islamic Republic in accordance with Rouhani policies and steer it toward integration in the international community.

The dominance of radical forces currently linked to the Supreme Leader, on the other hand, would constitute the worst possible outcome of the nuclear agreement. Currently, the opponents of the agreement control all sectors of power except for the executive branch, including the military and judiciary, the media, and the security apparatus, which are sufficient to stymie all of Rouhani's plans for Iran's future governance. Since the start of negotiations, the opponents focused all their efforts in nullifying P5 + 1 negotiations with the slogan "We are worried"³⁶—and the Vienna Agreement has indeed done real harm to the interests of Rouhani government opponents. Even during the last two years, a lot of work was done to reduce the support of the Leader for Rouhani's foreign policy in such a way that Rouhani would fail in his most important promise to the voters: solving the nuclear problem. But the Leader's perception of the ungovernableness of Iran's economy with continued sanctions as well as his historic trust in Javad Zarif as Rouhani's foreign minister led to his decisive support of the negotiations. That's why Rouhani succeeded in preventing discussion of the agreement text in Parliament, and why Parliament gave its approval to the Supreme National Security Council headed by the President.

The Supreme Leader has not allowed government opponents much space to maneuver other than to protest, but that might change if implementation of the agreement strengthens his internal opponents (thus leading to a renewed sense of an internal threat for Khamenei), or if its cultural consequences lead to a loss of groups loyal to his leadership. In fact, the current positive cooperation between Ayatollah Khamenei and President Rouhani is limited to the economy and foreign policy. As Rouhani succeeds in advancing his agenda with regard to culture and internal politics, the Supreme Leader will empower government opponents to confront Rouhani. And in the case that Khamenei gives a green light to government opponents, their attacks will not be restricted to the areas of culture and domestic policy and will certainly include the Vienna Agreement as well. Not allowing a majority of the candidates that support the government to run in the February elections may be the best indication of this.

A third possible outcome is preserving the balance of political forces as they were at the time of the Vienna Agreement. It seems that for the Supreme Leader, the desirable outcome is restoration of international relations and eliminating security threats (from ISIS, Israel, and the opponents of any agreement with Iran in the U.S.), as well as high economic growth—and if Rouhani can realize that, he will enjoy the relative support of the Leader. However, as demonstrated in this Brief, economic development seems impossible without there being cultural, social, and political ramifications—and the IRGC and other opponents of the Rouhani government will seek to preserve their power by keeping the cultural and social environment closed to change. The lack of tangible efforts on the part of Rouhani toward fulfilling his promises in the areas of politics and culture shows that he regards the economy as the major issue in the medium term and is ready to continue working within the current power balance.

Moreover, Rouhani has shown that he has learned sufficient lessons from the terms in office of his two main supporters, Hashemi Rafsanjani and Mohammad Khatami. In the 1990s, Rafsanjani confronted the legacy of eight years of war and Iran's impasse in foreign relations by championing economic development without granting political freedom. Khatami's program of political reform at a rate exceeding the level of tolerance for it within the political system led to the erosion of trust between Khamenei and the reformist government Khatami oversaw. Now, Rouhani is trying to advance his government's agenda by striking a balance between his various goals, by preserving the trust of the Leader, and by avoiding strong conflicts with the other sectors in the regime. But his government's lack of efforts to expand political and cultural freedom needs to be tolerated by the Iranian electorate—and it's unclear whether the young people crying "freedom for political prisoners" in the 2013 campaign are willing to be patient with the current balance of power.

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