

Iran under Rouhani: From Confrontation to Reconciliation

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Summary

Rouhani's presidency has injected a new tone in Iran's foreign policy, marking a dramatic shift from Ahmadinejad's policy of confrontation with the West. Rouhani's policy towards the neighbouring countries has received strong support from the Supreme Leader and from conservatives inside and outside the parliament. However, Rouhani's engagement with Obama administration and the nuclear deal have generated intense debate and attracted strong and often contrasting reactions inside Iran. In the light of present developments, this issue brief attempts to examine the internal dynamics of Iran and Rouhani's policy towards the West and the Gulf region.

Hassan Rouhani's election as Iran's new president has given the hope among the world community that Iran would pursue liberal or moderate foreign policy and could also resolve the nuclear issue. Rouhani's telephone call with the US President Barack Obama in September 2013 and the interim nuclear deal in Geneva indicate a new international posture. His election has also raised high expectations among the Iranians that he would pursue moderate policies and improve Iran's economic conditions. Rouhani is also committed to normalising relations with the regional countries especially with the Gulf Cooperation Council (GCC) states. He has already announced that developing bilateral ties with Iran's neighbours is 'prudence and hope' and top priority for his cabinet. However, his liberal approach is not well received all across Iran. The nuclear deal and Rouhani's telephone call have generated intense debate and attracted strong and often contrasting reactions inside Iran.

Internal Developments

Political Development

From beginning of his presidency, Rouhani has tried to accommodate all sections of the country in his government. He has been committed to form a moderate and extra-factional cabinet that consists of both principlists and reformists. In brief Rouhani's cabinet reflects a dramatic shift in the balance of power in the Islamic Republic of Iran.

However, despite Rouhani's eagerness to work together, some in the Iranian parliament (*Majlis*), especially the principlists or conservatives, have begun to question and criticise Rouhani and his cabinet and have even threatened to impeach one of the Rouhani's minister. The very first victim could be Iran's economic minister, Ali Teyebnia, who was first of Rouhani's minister to receive a yellow card from the *Majlis*. If Teyebnia gets two more yellow cards, he will be automatically impeached. A parliamentarian, Ghassem Jaffari has accused the head of Central Bank of pursuing a currency policy that was not in the country's interest but rather of particular groups. When Teyebnia was called to the parliament to defend the head of Central Bank's policies, the parliamentarians termed his reply unsatisfactory and strongly criticised his decision.

During the formation of cabinet, some of Rouhani's ministerial candidates were even denied a vote of confidence by the parliament. Many lawmakers justified that the candidates were rejected by the parliament because of their support to the 2009 Green Movement, which continues to be a contentious issue in the country. Very recently on December 23, 2013, some parliamentarians blamed the Ministry of Intelligence for giving permission to European Union (EU) delegation for a meeting with the convicts of the 2009 presidential elections unrest. The EU parliament delegation met Nasrin Sotoudeh and Jafar Panahi at the Greece embassy in Tehran. Both are convicts of the 2009

controversial presidential election unrest. Some of the parliamentarians even demanded to summon the Intelligence Minister, Seyed Mahmoud Alavi in the Parliament's National Security and Foreign Policy Commission. If the answers by the minister are found unsatisfactory, he would be required to attend an open session of the parliament and could face similar challenges like Teyebnia.

However, this is not new in Iran. Former president, Mahmoud Ahmadinejad too had a very contentious relationship with the parliament and some analysts view the present clashes as continuity fragments of the previous administration. In Ahmadinejad's first term in office, the Interior Minister was impeached and during his second term, both, the Minister of Roads and Transportation and the Minister of Labour and Social Affairs were removed from office following impeachment by the parliament.

Despite disagreement between the legislature and the president on a couple of issues, the parliament is unlikely to work against Rouhani. First, Rouhani's has strong support from the Supreme Leader, Ayatollah Seyyed Ali Khamenei who has appealed to the people to support and help the new administration. He also pointed out that he is not opposed to criticizing the performance of the administration. Second, Rouhani has also the support from the powerful centrist and reformist leaders and former presidents, Hashemi Rafsanjani and Mohammad Khatami. Third, due to economic sanctions, Iranian economy is on the slide and inflation rate is also increasing. There is a possibility that conservatives may allow some space to normalise its relations with the west and neighbouring countries.

Rouhani has also maintained that his administration will not be able to achieve its goals without the cooperation of the parliament. He said "the administration will not succeed on its path and in its missions if *Majlis* does not stand by the administration."¹ However, one thing is clear that antagonising a conservative parliament would not help Rouhani and his administration in the smooth functioning of government. Although, Rouhani, a pious and astute politician, has refrained from entering in a debate with the parliament, and unlike Ahmadinejad, who seemed to relish even the negative attention, he has gone out of his way to appease, or even neutralise the parliament in picking his cabinet. By choosing Rahman Fazli, who has close ties with Ali Larijani, the speaker of the parliament for the key position of interior minister, most observers and analysts believe that Rouhani was trying to bargain with the influential Larijani so that his administration would avoid the pitfalls of his predecessor.

¹ "Rouhani urges Majlis cooperation", *Press TV*, October 27, 2013, at <http://edition.presstv.ir/TextOnly/detail.aspx?id=331521>

Interim Nuclear Deal and Domestic Debate

Rouhani's administration has also been challenged by conservatives over the interim nuclear deal. There is a clear divide between the hardliners who seem sceptical of the final outcome, whereas the moderates have called it a vindication of their choice of Rouhani as the President. A short time after the agreement was reached on November 24, 2013, contradictory statements were heard. Iran's foreign minister, Mohammad Javad Zarif said that the deal was an opportunity for the "removal of any doubts about the exclusively peaceful nature of Iran's nuclear programme."² But he stressed that Iran had not given up its right to enrich uranium. The chief of the expediency council and former president, Akbar Hashemi Rafsanjani who considered by the West as a "savior" working to promote western-Iranian relations, called the agreement an "ice breaker" that had overwhelmed the taboo in relations with the US. Khamenei has also praised the nuclear negotiating team. He stated "achievement of what you have described deserves appreciation and gratitude to the nuclear negotiators team and other contributors and can be a basis for the next wise measures."³ He also pointed out that no one should call the negotiating team as compromisers.

However, the deal has also drawn severe criticism inside Iran especially from the conservative wings. Some parliamentarian like Zareie questioned the deal adding "why would the IAEA be granted access to Iran's centrifuge workshops, while the NPT did not have such provisions, and that accepting such inspections violated the country's independence."⁴ Some parliamentarians said that the Geneva nuclear deal should enjoy ratification of the Iranian Parliament. However, the head of *Majlis* Legal and Judicial Commission, Allahyar Malekshah defended the Geneva agreement and said "The Geneva agreement is a preliminary agreement, therefore, it does not need to be ratified by *Majlis*."⁵ According to the Articles 77 and 125 of the Iranian Constitution, international treaties, protocols, contracts, and agreements must be approved by the *Majlis*. Malekshahi stressed, "*Majlis* approval would be necessary, if a preliminary agreement is changed into a permanent one."⁶

² "World leaders announce Iran nuclear agreement", *Telegraph*, November 24, 2013, at <http://www.telegraph.co.uk/news/worldnews/middleeast/iran/10470854/World-leaders-announce-Iran-nuclear-agreement.html>

³ "Supreme Leader: no one should call negotiators compromisers", *Mehr News Agency*, November 3, 2013, at <http://en.mehrnews.com/detail/News/100405>

⁴ "Zarif in Parliament; holocaust, nuclear negotiations", *Mehr News Agency*, December 10, 2013, at <http://en.mehrnews.com/detail/News/101102>

⁵ "No *Majlis* ratification needed for nuclear first step deal", *IRNA*, November 24, 2013, at http://www.irna.ir/en/News/80919184/Politic/No_Majlis_ratification_needed_for_nuclear_first_step_deal

⁶ Ibid

Despite domestic criticism, Iran announced stopping of high-end uranium enrichment on January 20, 2014. The IAEA also confirmed that Iran has halted 20 per cent uranium enrichment by cutting the link feeding cascades enriching uranium at Natanz and Fordo. Iran also gave guarantees that it will not enrich uranium at other locations during a six-month period.

Economic Development

Because of economic sanctions Iran's economy is deteriorating day by day, inflation rate is also going up and its currency 'rial' is declining in comparison to US dollar and other global currencies. The Central Bank of Iran has announced that the inflation rate for the 12-month period ended the fourth Iranian calendar month of Tir (July 22, 2013) compared to the same period in the previous year hit 37.5 per cent. However, the Statistical Centre of Iran had set the figure at 33.9 percent.⁷ Head of the Central Bank of Iran, Mahmoud Bahmani declared that the country would control inflation through three financial policies, by selling bonds and gold coins as well as reducing liquidity. In April 2013, the International Monetary Fund reported that Iran's economy contracted by 1.9 per cent in 2012 and is expected to shrink by 1.3 per cent further.⁸

However, there is some hope for Iran. Its currency, the rial appreciated in December 2013 on hopes that the country's economy could improve under the presidency of Rohani. It is believed that the partial removal of the sanctions agreed during the Geneva talks will also have some positive effects for the Iranian economy as well. According to the Geneva accords the US could remove sanctions on Iran's crude supplies, petrochemical exports and part of the banking operations, including the pay-back of Iran's crude export revenues. Iran Oil Minister, Bijan Namdar Zanganeh underlined that Tehran will earn US\$ 54.5 billion in oil revenues annually once the US-led sanctions have been lifted. Zanganeh stated that more than US\$ 800 billion in investment in the petroleum industry is possible over eight years. Recently in January 2014, Iran has been granted to access part of its assets in US banks which was frozen due to sanctions. After the Islamic Revolution, Iran is kept under US unilateral economic sanctions including number of United Nations Security Council (UNSC) and EU sanctions due to Iran's nuclear enrichment programme.

Iran and the region

Iran has now launched a charm offensive on the Gulf states, with a visit in December 2013 by foreign minister, Mohammad Javad Zarif to Oman, Kuwait, Qatar and the United Arab Emirates (UAE). His recent visits in the Gulf region indicate that Rouhani's government is committed to rebuild its relations with regional countries. Rouhani has

⁷ "Iran's inflation rate hits 37.5%: central bank", *Tehran Times*, August 19, 2013, at <http://www.tehrantimes.com/economy-and-business/110115-irans-inflation-rate-hits-375-central-bank>

⁸ Ibid.

already said that the bilateral ties with neighbouring countries were a priority for his cabinet. Zarif stated that his visits to the regional countries found useful, wide and positive coverage internationally, and have been gauged generally as smart initiative by Iran.

Zarif's visit to the UAE came as a response to the UAE Foreign Minister, Sheikh bin Zayed Al-Nahyan recent visit to Iran who had taken the strong positions against Iran when Mahmoud Ahmadinejad visited Abu Musa Island. In the UAE, Zarif indicated that Iran was ready to soften its position over the three disputed islands – Greater and Lesser Tunb and Abu Musa – which were annexed by Iran under the Shah in 1968, and are claimed by the UAE. The UAE was also the first Arab country in the Gulf that congratulated Iran on Geneva nuclear deal. The relations between Iran and the UAE are expected to improve especially under the presidency of Rouhani. The recent visits of the Foreign Ministers from both side is an indication in this direction.

Given the recent developments in the region and worrying relations between Iran and Bahrain, there may be a chance in improvement of the relations between the two countries during the Rouhani's presidency. Bahraini Foreign Minister, Khalid bin Hamad al-Khalifa had invited his Iranian counterpart Zarif to attend Manama Security Forum held in December 8, 2013. Earlier in May 2010 Bahrain had recalled back his ambassador from Tehran after Iran's condemnation of deployment of joint Bahraini and Saudi forces during the Bahrain crisis. Iran too had followed suit by recalling its ambassador.

Iran's relations with Qatar are relatively good. Unlike other GCC states, Qatar did not support Iraq in the war with Iran; nor did it vote against Iran for sanctions in 2006 when it had a place on the UNSC. However, Bahrain and the Syrian crises have caused a rift between Iran and Qatar. Qatar's backing for Syrian Islamist fighters has created a strong gap between Iran and Qatar. Iran's support to the Bashar's regime is also great concern for Qatar.

Another big player in the region is Saudi Arabia and its relation with Iran is improving gradually. Recently, Zarif has announced that he would visit Saudi Arabia soon. Even Rafsanjani has said recently that he is ready to visit to Riyadh in an attempt to ease tension between Iran and Saudi Arabia. Rafsanjani, who enjoyed friendly relations with ruling families in his presidential term and still has maintained the level of ties. President Rouhani and Rafsanjani were also invited by Saudi King Abdullah to a Hajj pilgrimage last year. In his first press conference, Rouhani emphasized on reducing tensions with Saudi Arabia. Rouhani also underlined "we are neighbours with Persian Gulf countries and brethren with Saudi Arabia; Muslim's prayer *Qiblah* is located in Saudi Arabia; we have close historical, regional and cultural ties."⁹ Rouhani also proudly stated that he was the first to

⁹ "Where is Rouhani, Zarif next destination?", *Mehr News Agency*, September 30, 2013, at <http://old.mehrnews.com/en/newsdetail.aspx?NewsID=1828587>

sign a security agreement with Saudi Arabia. He is trying to build a personal rapport by sending a congratulation message to Saudi King for Saudi Arabian National Day known as *Jahangiri*.

However, it must be noted that Iran's foreign minister's visits to some regional countries has not been appreciated by some political factions inside Iran. They say that Rouhani's administration has tried to compromise with the sovereignty of the Islamic Republic especially with the UAE regarding the disputed islands. Zarif however, pointed out "unfortunately, factions inside the country tried to undermine these visits through presenting a misleading version of my remarks, which was the country's 20-year official line of policies, and sacrificing national interests for achieving their short-term little prejudiced interests."¹⁰

Iran and the US

Relations between Iran and the US, frozen for decades, have upgraded sharply since the elections of Rouhani who has promised to pursue a policy of "constructive engagement" with the West. The telephonic conversation between Obama and Rouhani and the interim nuclear deal is a clear indication of rapprochement between the two countries. After decades of enmity and distrust, this is clearly taking many Iranians by surprise. This was the first highest-level contact between the two countries in three decades.

However, despite Geneva Agreement (November 24, 2013), which sought to set the stage for the full resolution of issue with regards to Iran's nuclear programme, the US has imposed new sanctions against Iran in December 12, 2013. The fresh sanctions have been imposed on 19 Iranian companies and individuals. Iran claims that under the Geneva deal, it was agreed that no more nuclear-related sanctions would be imposed for a six-month period. Rafsanjani has said that the West had not been consistent in its words and action and new steps have violated the spirit of the Geneva deal based on positive atmosphere.

Recently on December 24, 2013, Rouhani underlined that they have committed to reduce Tehran's isolation and to win an easing of sanctions. He added "We are striving to avoid new burdens on relations between Iran and the US and also to remove the tensions that we have inherited."¹¹ The US has also announced that the White House would think of a proposal to offer Iran an access to US \$12 billion funds if Iran would take steps to cut down its nuclear programme. This is really a good opportunity for both the parties to

¹⁰ "Iran's territorial integrity not negotiable: Zarif", *Mehr News Agency*, December 10, 2013, at <http://en.mehrnews.com/detail/News/101083>

¹¹ "Rouhani would consider easing tensions with US", *Mehr News Agency*, December 24, 2013, at <http://en.mehrnews.com/detail/News/101354>

change their negative and hostile attitudes towards each-other and rebuild friendship and mutual cooperation. Rouhani and his administration has been extremely enthusiastic to prove that they are moderate and rational partners and that they draw an absolute opposite view with that of his predecessor, Mahmoud Ahmadinejad.

Conclusion

Rouhani seems to be sincere and expresses genuine desire to resolve Iran's myriad internal problems and external crises. The Iranian people and international community too hope for change. Rouhani's conciliatory approach towards the GCC and the recent visits by Iran's foreign minister to the regional countries would help in mending the relationship in the region which had weakened under Ahmedinejad. The interim nuclear deal and Rouhani's engagement with Obama administration could also help in bringing about a dramatic shift in their (Iran and the US) approaches. However, it must be pointed out that the president alone cannot take any final decision on foreign policy and nuclear issues. The final call on major issues remains in the hand of the Supreme Leader. Given Rouhani's past experience as the country's chief nuclear negotiator and his strong backing from Khamenei, Rafsanjani and other reformist leaders; and over all people's support, he may be able to overcome the challenges and exercise more leverage and suppleness in coming years.