



Middle East Q&A: Iran's New Moderate President and Resetting the Relationship

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On August 4, 2013, Hassan Rouhani took office as the 7th president of the Islamic Republic of Iran. Many view his election as an opportunity to reset the troubled relationship between Iran and the international community. This Asan Issue Brief argues that while there are promising signs that Rouhani and his reformist-centrist faction will make progress on improving the economy and fostering greater pluralism at home, he will face strong challenges from conservative hard-liners opposed to any changes to the country's foreign policy. Continued public support for the country's nuclear program and Rouhani's record as a naïve reformist during his time as chief nuclear negotiator will inhibit any grand bargains. Nonetheless, he will shun the confrontational rhetoric of his predecessor and be more open to any negotiations with the United States that could strengthen his position domestically.

This Issue Brief also examines the implications of Rouhani's election for Korea. On the security front, Iran continues to see North Korea as a pragmatic partner given the mutual benefits from technical cooperation and arms sales between the two countries. On trade relations, South Korea has a keen interest in whether Rouhani can

successfully implement a reformist agenda and convince the US and others to lift sanctions. Also, as the Park Geun-hye administration promotes the role of small and medium-sized enterprises (SME) as vehicles of growth and job creation, the easing of sanctions on Iran, where more than 2,000 Korean SMEs were working until recently, will be pivotal for her administration's performance.

Q. Who is Hassan Rouhani and how much power does he wield?

A reformist, but with limited foreign policy making power. Hassan Rouhani came to power with the backing of the reformist-centrist coalition, including former presidents Mohammad Khatami and Akbar Rafsanjani. Having been a national security advisor and chief nuclear negotiator, he has long experience in dealing with the international community. Interestingly, despite being the only cleric among the candidates for this year's presidential election, Rouhani's policy platform was also the most reformist-oriented.

So who were the 50.7 percent who voted for Rouhani in the first round of the elections? The main constituents for the reformist faction include educated intellectuals, the urban middle class, women, and youth. Given that Iran is experiencing one of the world's most extreme youth bulges, with more than 60 percent of the population under 30 years old, the youth vote in particular played an important role. In contrast, Saeed Jalili, the current chief nuclear negotiator and outgoing president Mahmoud Ahmedinejad's designated successor, only received 11.3 percent of the vote. This was a clear rejection of Ahmedinejad's eight-year rule. During the election's televised debate, all of the other candidates cited Jalili's failure in stopping the US and European Union from implementing their latest sanctions as evidence of his unsuitability to lead the country.

Rouhani has focused on solving the country's deep economic problems under the electoral slogan of "hope and prudence." While Iran has lived under some form of sanctions ever since the 1979 Islamic Revolution without economic collapse, the past decade has been acutely difficult. This has largely been due to Ahmedinejad's eight years of economic mismanagement as well as the EU's recent severing of trade ties. Today, the official inflation rate is currently hovering around 30 percent, though

it is widely believed to be anywhere from 60 to 80 percent. Consequently, Rouhani has made improving the economy his foremost priority.

Perhaps the best way to understand the role of the president in Iranian politics is to think of it as akin to an elected Interior Minister-cum-Finance Minister. The president has free reign to pursue a wide range of domestic reforms and economic policies, but not on foreign policy issues. Until 2009's fraudulent election and violent crackdown against the protestors, Iran was considered one of the region's better democracies along with Israel, Turkey, and Lebanon, having competitive elections and institutional checks and balances. But growing clashes between the reformist movement—led by President Khatami and the burgeoning civil society—and the unelected conservative factions—mainly from the Judiciary and Islamic Revolutionary Guard Corps (IRGC)—in the early 2000s, saw the country backtrack on many of its democratic aspects. Even Ahmedinejad, a staunch conservative, often ran afoul of the country's unelected Supreme Leader, Ayatollah Ali Khamenei, despite being strongly endorsed in his 2009 reelection. To rule, Rouhani will now have to negotiate with a range of unelected bodies and ultimately receive Khamenei's endorsement.

Q. Will there be a critical change in Iran's nuclear aspirations?

Up to a point. Iran will continue negotiating, but with a milder attitude. The official Iranian position will remain that they are not seeking nuclear weapons, but rather nuclear energy for peaceful uses. This will be the starting point for any discussion of how Rouhani is likely to approach the nuclear issue. In his inauguration speech, the new president stated that foreign powers should speak with Iran in the language of respect. The purported self-reliance that nuclear energy will bring as well as the prestige of mastering a technology traditionally reserved for the great powers are significant factors in Iran's strategic calculation. Furthermore, Iran now finds itself trapped in a 'path dependency,' whereby it is too late to dismantle the nuclear program given the time, resources, and political and social costs it has incurred over the past decade.

Progress on the Iranian nuclear program today has created such momentum that

there are very few, if any, domestic forces pushing to give it up. Even as sanctions hurt the country's economy, Iranians widely criticized the poor negotiation skills of the Ahmedinejad government, not the nuclear program itself. Rather, efforts by the international community to stop the program have often galvanized public opinion in favor of it. Also, Israel's attempts to slow the program, such as the assassination of nuclear scientists and cyber attacks, have instead empowered hard-liners that praise the murdered scientists as martyrs for a greater cause.

Rouhani will also be hindered by his record as a naive reformist who played into the hands of the West during his time as chief nuclear negotiator under former president Khatami. In 2004, Rouhani was instrumental in temporarily freezing the country's nuclear program and fostering closer ties with the EU. Yet, the subsequent failure of those efforts to substantially lift international sanctions led to Ahmedinejad's rise and also a deep suspicion among many Iranians, including Ayatollah Khamenei, of conceding anything on the nuclear front.

In sum, the final decision about Iran's nuclear program is made by Khamenei. Also, Rouhani will be wary of making the same mistake twice. However, the new president will adopt a more flexible strategy at the negotiation table, particularly on the lifting of sanctions, although there will be no freeze on enrichment or the removal of centrifuges. In a similar vein, regarding the Syrian issue, the new moderate government will not dramatically withdraw its support for the Assad regime. This will only be possible insofar as Iran is offered feasible incentives to do so, such as the easing of sanctions and efforts by the West to ensure that no radical Sunni regime takes power in a post-Assad Syria.

Q. Will the United States change its policy towards Iran?

Yes. In tone, if not substance. From American perspectives, the nuclear issue, while critical, is not the only issue at stake. Iran also remains crucial to successfully resolving some of the Middle East's most intractable security problems, including the US drawdown in Afghanistan, Iraq's sectarian bloodshed, the Syrian civil war, and the survival of Hezbollah in Lebanon. To resolve these challenges, the momentum to engage Rouhani—a man who said that he would work to improve the relation-

ship with the US—will be strong.

Given the limited power of the presidency in Iranian politics to dictate foreign policy decisions, anything that the international community can do to weaken the position of the regime's conservative hard-liners should be applauded. During the Khatami-Clinton era in the 1990s, when both presidents belonged to liberal-progressive parties, relations were particularly amicable. Through the extension of an early olive branch, President Obama can set the tone with Rouhani for the remaining four years of his presidency. In fact, some Congressmen and former government officials have already been urging the president to support Rouhani by actively offering the possibility of easing sanctions.

However, the passage of the Nuclear Iran Prevention Act on the eve of Rouhani's inauguration suggests that Congress—which has been far more aggressive on the issue of sanctions than the White House—wants to maintain the status quo. Many Congressmen argue that since Khamenei continues to control the nuclear program, nothing has changed. What they fail to recognize, though, is that Rouhani and the reformists can be bolstered in Iran's internal politics by improving relations with the West.

Q. Is there likely to be a change in Iran's relations with North Korea?

No. *Not for the foreseeable future.* On the issues of nuclear technology sharing and military cooperation, the Iran-North Korea relationship will remain relatively solid for some time. The research and development branches of their respective militaries and their weapons productions units have invested great time and resources working together over the past decade. North Korea has needed an opportunity to test new military technology and gain access to hard currency while Iran has wanted to secure arms and military training supplies.

This explains why Rouhani invited a senior delegation of North Korean officials to his inauguration. Led by Kim Yong-nam, Chairman of the Presidium of the Supreme People's Assembly, as well as Pak Kil-yon, Vice-Minister of Foreign Affairs, the delegation included some the regime's highest ranking officials. The system of which

Rouhani remains a prisoner sees North Korea as a pragmatic partner, not a dangerous liability. In fact, Rouhani greeted the delegation saying that independent countries should defend their inalienable nuclear rights.

South Korea must convince Rouhani that it is in Iran's best interests to desist from covert military and nuclear cooperation with North Korea. Given Rouhani's focus on economic improvement, Seoul has some leverage as a major trading partner. However, even if Rouhani can be convinced of this fact, there will be far less leverage to persuade power brokers in the military in general and the IRGC in particular.

Q. What are the implications for South Korea-Iran trade relations?

It depends. If sanctions are eased to some degree, both countries will benefit. With the withdrawal of the EU, Japan, South Korea and other major consumers, sanctions on Iran have allowed China to monopolize its access to cheap oil. The irony of this is that, as Iran's dependence on China grows, there may emerge a base level of decline beyond which Chinese officials will not allow the Iranian economy to fall. If this assessment is valid, South Korea and other major oil importing countries should focus on persuading the US to support an easing of sanctions to break Iranian dependence on China. Iran, of course, will then diversify its trade partners to escape the consequences of a closed sanctions economy.

For South Korea, President Park Geun-hye has emphasized "economic democratization" as one of her central policy agendas since her inauguration in February. Intended to weaken the conglomerates' monopolistic control over the economy by empowering small and medium-sized enterprises (SME), she has sought to strengthen domestic financial regulations on corporate cross-holdings, support local retailers, and finally sustain development. Until the recent sanctions, there were over 2,000 SMEs operating in Iran, particularly in the manufacturing and construction sectors. Whereas Korea's economic relations with the Middle East are led by the conglomerates, particularly in places such as the Gulf, Iran is overwhelmingly dominated by SMEs. Today, many of those companies have temporarily relocated to nearby Turkey and continue to wait to return to Iran when sanctions are eased and relations improve.

The views expressed herein do not necessarily reflect the views of the Asan Institute for Policy Studies.



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