

# Policy Briefing

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## **Great Expectations: Iran's New President and the Nuclear Talks**

### **I. Overview**

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In a region that recently has produced virtually nothing but bad news, Hassan Rouhani's 4 August swearing in as Iran's president offers a rare and welcome glimmer of hope. There are still far more questions than answers: about the extent of his authority; his views on his country's nuclear program, with which he long has been associated; and the West's ability to display requisite flexibility and patience. But, although both sides can be expected to show caution, now is the time to put more ambitious proposals on the table, complement the multilateral talks with a bilateral U.S.-Iranian channel and expand the dialogue to encompass regional security issues.

Given his blunt criticism of the country's trajectory, notably on the nuclear file, Rouhani's election stunned almost all observers, and so one ought to be modest in offering retrospective interpretations of his victory. His promise of change arguably appealed to an electorate that traditionally has seized on presidential contests to try to turn the page; his more conservative rivals were deeply divided and burdened with former President Mahmoud Ahmadinejad's desultory record; and the leadership's quest for renewed legitimacy after the hit suffered in the controversial 2009 elections possibly led it to accept the triumph of a strong critic. Too, one could speculate that Rouhani's success ultimately serves Supreme Leader Ali Khamenei's interests, helping both to restore domestic faith in elections, one of the Islamic Republic's political linchpins, and to reduce international pressure at a time when sanctions are inflicting unprecedented economic pain.

Questions about how Iran got to this place are overshadowed, however, by speculation regarding where it might go from here. Some, including Israeli Prime Minister Benjamin Netanyahu, see Rouhani as "a wolf in sheep's clothing", the gentle façade of a regime whose nuclear ambitions have not changed one iota; others would like to view him as the saviour charged with extricating Iran from its predicament, agreeing to far-reaching nuclear concessions in exchange for commensurate sanctions relief. In this respect as well, a healthy dose of humility is required given the opaqueness of the Islamic Republic's decision-making.

Several elements nonetheless can be of utility in seeking to make predictions. The first has to do with the nature of Iranian politics. Presidents are far from all-powerful, having to contend with myriad competing centres of authority and influence, overt and covert, of which the Supreme Leader is only the most obvious. Fundamentals have not changed: Ayatollah Ali Khamenei retains final say; friction between him

and the president is all but inevitable; and factionalism will remain both a fact of life and a means of constraining Rouhani. At the same time, presidents are not mere figureheads; witness the differences in style and substance between Akbar Hashemi Rafsanjani, Mohammad Khatami and Ahmadinejad.

Secondly, Rouhani is far from an unknown. He has been a fixture of the Islamic Republic since its beginnings, a consummate insider with a track record and voluminous writings. Those offer some clues regarding his preferred approach. He brought about the first and only nuclear agreement with the West, a significant achievement given the depths of mutual mistrust, yet he also openly justified the accord as allowing Iran to complete its nuclear infrastructure even while negotiating. He has bluntly criticised his successors, yet has focused more on their bluster and reckless negotiating style than on their ultimate goals. His negotiating experience also carries mixed messages: that he feels the West let him down, causing him to suffer bitter criticism at home, may well prompt him to greater caution. In particular, at a time when the U.S. and EU are intent on limiting the extent of Iran's uranium enrichment program, Rouhani could be more inclined to offer concessions regarding that program's transparency than its scope.

That suggests a third point. The change in presidents will usher in important changes in style and negotiating tactics but certainly will not bring about significant changes in Iran's bottom line demands: recognition of its right to enrich and meaningful sanctions relief. A deal today is thus harder to imagine than when Rouhani last was in charge of the nuclear dossier. Positions have hardened; trust has diminished; the nuclear program has substantially advanced; and sanctions have proliferated. Western doubts about Rouhani's ability to deliver are matched by Tehran's scepticism that the U.S. in particular can accept a *modus vivendi* with the Islamic Republic or that President Barak Obama has the political muscle to lift sanctions.

Such misgivings are unavoidable but should not be paralysing. Negotiations between Iran and the P5+1 (the five permanent UN Security Council members and Germany) have become stale; now is as promising a time as is likely to occur to refresh them. This could be achieved in three interlocking ways: altering the substance of a possible deal, combining a confidence-building agreement on Iran's 20 per cent enrichment with presentation of the contours of a possible nuclear endgame, as Crisis Group has proposed; modifying modalities of the negotiations by complementing multilateral discussions with confidential, bilateral U.S.-Iranian engagement; and expanding the scope of those talks to include regional security matters.

The promise embodied by Rouhani's election can grow or quickly fizzle. As he takes office and comes face to face with myriad domestic and foreign challenges, it would be a good idea for the West to encourage him to move in the right direction.

## II. The Unlikely Victor

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Iran's 2013 election presented its leadership with both opportunity and threat. As the first presidential poll since the harshly disputed 2009 election and its tumultuous aftermath, it offered a pathway to repair damaged legitimacy amid a standoff with the West over the nuclear issue and increasingly painful economic sanctions. At the same time, conducting elections amid heightening political infighting,<sup>1</sup> widespread

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<sup>1</sup> See Mohammad Ayatollahi Tabaar, "Supreme showdown in Tehran", *Foreign Policy* (online), 4 February 2013. High-level feuding between the office of the president and other power centres had fuelled rumours that the former might even refuse to conduct the elections. "یک مقام سپاه: شاید برخی."

economic disgruntlement and regional uprisings posed potential security risks to Tehran's leadership. With diplomacy at an apparent stalemate,<sup>2</sup> international punitive measures continued to ravage the economy,<sup>3</sup> pushing oil exports to their lowest levels in years<sup>4</sup> and inflation as well as unemployment to new heights.<sup>5</sup> That the region was in upheaval – from popular protests in Turkey to a raging civil war in Syria – further heightened concern. Fears of potential unrest prompted stern warnings from Iranian officials,<sup>6</sup> as a heavy security atmosphere pervaded the pre-electoral period.<sup>7</sup>

Of the eight candidates the Guardian Council authorised to run, Hassan Rouhani appeared among the least likely to win until virtually the very end.<sup>8</sup> Predicting a lacklustre election, most inside and outside observers – Rouhani's own campaign staff included – doubted his chances.<sup>9</sup> Ominous signs abounded, including disqualification of the candidacy of Rouhani's mentor (former President Rafsanjani);<sup>10</sup> sidelining of so-called<sup>11</sup> centrists and reformists;<sup>12</sup> and systematic denunciation of his record by the political elite.<sup>13</sup>

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“A revolutionary guards official: Some might refrain from conducting the elections”, BBC Persian, 17 March 2013.

<sup>2</sup> Negotiations between Iran and the P5+1 (the five permanent UN Security Council members and Germany) over Tehran's nuclear program reached a standstill after talks in April 2013 ended in failure. Several Western officials interpreted the impasse as a by-product of pre-election political paralysis in Tehran. Crisis Group interviews, U.S. and EU officials, Almaty, 4 April 2013. Iranian officials strongly denied any such link. Crisis Group interview, Saeed Jalili, Iran's chief nuclear negotiator, Almaty, 5 April 2013.

<sup>3</sup> Iran's economy shrunk by 1.9 per cent in 2012. Predictions for 2013 are even direr. See “World Economic Outlook in 2013”, International Monetary Fund, April 2013; “مرکز پژوهش‌های مجلس: احتمال کاهش رشد اقتصادی ایران تا منفی ۴ درصد” [“Iranian Parliament's research arm: Economic growth could fall to minus 4 per cent”], BBC Persian, 12 May 2013. For a review of the sanctions imposed on Iran, see Crisis Group Middle East Report N°138, *Spider Web: The Making and Unmaking of Iran Sanctions*, 25 February 2013.

<sup>4</sup> “Sanctions cut Iran's oil exports to 26-year low”, *The Wall Street Journal*, 29 April 2013.

<sup>5</sup> According to official statistics, the annualised inflation rate for June 2013 was 35.9 per cent, but the real number could be as high as 42 per cent. “Iran's president-elect criticises outgoing leader”, Associated Press, 15 July 2013. The unemployment rate was 12.4 per cent; among those under the age of 30, it reached 24.2 per cent. Statistical Centre of Iran, 12 July 2013.

<sup>6</sup> Both the head of the Basij paramilitary forces and the chairman of the Joint Chiefs of Staff threatened to nip any upheaval in the bud. See “فتنه قبل از انتخابات آغاز می‌شود” [“Sedition will commence before the elections”], Mehr News Agency, 6 February 2013; “های احتمالی در انتخابات آمادگی نیروهای مسلح برای مقابله با فتنه” [“Armed forces prepared to suppress any sedition ahead of the election”], Mehr News Agency, 22 April 2013.

<sup>7</sup> Crisis Group telephone interviews, Iranian voters, Tehran-Shiraz-Tabriz, April-June 2013. Also see “حسن روحانی: برخی به دنبال امنیتی کردن فضای انتخابات هستند” [“Hassan Rouhani: Some seek to securitise the election's atmosphere”], BBC Persian, 14 January 2013.

<sup>8</sup> 686 candidates had thrown their hats and turbans into the race. Only eight were approved by the twelve-member body of jurists and clerics in charge of vetting candidates.

<sup>9</sup> Thomas Erdbrink, “Prospect of Iran's election stirs little hope this time around”, *The New York Times*, 8 May 2013; Barbara Slavin, “Iran follows 2012 election script to avoid 2013 election surprise”, Al-Monitor.com, 22 May 2013. Censorship of Rouhani's campaign video by state television led one of his campaign staff to complain: “If the ruling establishment can't stomach his campaign commercial, how are they going to allow him to win?” Crisis Group telephone interview, Tehran, 11 June 2013. Two days before the poll, *The Washington Post* predicted that Rouhani “will not be allowed to win”. See “Iran votes Friday on a president, but the ballot is quite limited”, editorial, 12 June 2013.

<sup>10</sup> Mohsen Milani, “Why the Islamic Republic disqualified one of its founding fathers from running for president”, *The Atlantic* (online), 7 June 2013.

<sup>11</sup> Use of the terms “reformist”, “centrists” and “conservatives” reflects Iran's own political vernacular, despite their imprecision and the country's nebulous factional borders. “Reformist” is a literal translation of *eslah talab*, referring to heterogeneous groups that pursued political reform under

Rouhani's first-round victory, with 50.7 per cent of the votes, confounded expectations.<sup>14</sup> Whether the Supreme Leader and others in the political establishment anticipated the result, were comfortable with it or simply concluded they had no choice but to live with it cannot be known with any degree of certainty. That said, with the benefit of hindsight, several factors help explain both the outcome and the leadership's reaction to it.

Rouhani clearly went further than any other candidate in promising sweeping change at a time when the electorate was longing for a break with the status quo; as a reformist politician put it, "Rouhani was an insider who campaigned as an outsider".<sup>15</sup> He broke new ground by participating in the funeral of a dissident Grand Ayatollah in Isfahan, pledging to help release political prisoners, rejecting those who "have put the country in its current predicament" and talking of Iran's "clouded visage" in the world and "the bowed silhouette of freedom" in the country.<sup>16</sup>

He also benefited from an unanticipated alliance between reformist and centrist factions<sup>17</sup> and their leadership's endorsements, particularly those of former Presidents

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former President Mohammad Khatami; "centrist" (*miyanero*) refers to pragmatic forces close to former President Rafsanjani; conservative (*osoulgara*) applies to the wide array of factions that hold harder-line views on political and cultural issues and traditionally are deemed aligned with the Supreme Leader.

<sup>12</sup> Accused of fomenting the 2009 uprising, their leadership was marginalised and organisational capacity eroded. Rajabali Mazrouei, a former reformist lawmaker, said, "a reformist comeback appears anathema to the system that has paid such a high price for eliminating it". Crisis Group interview, Brussels, 14 May 2013.

<sup>13</sup> Building on the Supreme Leader's implicit criticism of the 2003 agreement with the UK, France and Germany (EU-3) to voluntarily suspend uranium enrichment, Rouhani's hard-line opponents accused him of passivity. See "Supreme Leader's Speech to Government Officials", Khamenei.ir, 24 July 2012; "باقری: اروپایی‌ها آن موقع درخواست می‌دادند و شما امضا می‌کردید" ["Bagheri: You used to sign whatever the Europeans demanded"], Iranian Students' News Agency, 7 May 2013.

<sup>14</sup> Crisis Group interviews, U.S. and EU officials, Washington-Brussels, June 2013. Mohammad Bagher Ghalibaf (Tehran's mayor) came in a distant second with 16.5 per cent and Saeed Jalili (the incumbent nuclear negotiator) third with 11.3 per cent; the participation rate was 72 per cent. In the absence of voter registration rolls and an established party system, surprise is a constant feature of Iranian elections. An opinion poll ([www.ipos.me](http://www.ipos.me)) conducted on the eve of the election found that roughly 40 per cent of respondents were still undecided. According to Hossein Ghazian, a prominent Iranian pollster, "Iranians are not actively engaged in politics. Historic electoral patterns demonstrate that they make last-minute decisions when emotions are running high", Crisis Group interview, Washington, 8 July 2013.

<sup>15</sup> Crisis Group telephone interview, Tehran, 21 June 2013.

<sup>16</sup> Golnaz Esfandiari, "'Death to dictator' chants reported in Iran at Ayatollah's funeral", Radio Free Europe, 4 June 2013. "Rouhani's view on the house arrest of Mousavi and Karroubi", video, YouTube, 29 May 2013, <http://youtu.be/hYwM4Na1HIQ>. "مردم دیگر شما را نمی‌خواهند" ["The people no longer want you"], Entekhab.ir, 8 June 2013. "گفتمان من نجات اقتصاد، احیای اخلاق و تعامل با جهان" ["My discourse is economic rescue, moral revival and engagement with the world"], Fars News, 11 April 2013; Haleh Esfandiari, "Iran's Man in the Middle", *The New York Review of Books*, 22 June 2013.

<sup>17</sup> The durability of this alliance amid Iran's endemic factionalism will be put to the test in the coming months. According to Abbas Abdi, a prominent reformist strategist, "the [reformist-centrist] coalition could be long-lasting, as it was forced upon political actors by constituents concerned about the status quo's unsustainability". Crisis Group email correspondence, Tehran, 7 July 2013. In contrast, Amir Mohebian, an influential conservative strategist, argued that "Iranian politics have been dominated by vocal yet superficial radical currents. If the [so-called] moderate current fails to cultivate its vast potential by consolidating its roots and institutionalising itself, it will be no more than a short interlude between two extremist eras". Crisis Group email correspondence, Tehran, 14 July 2013.

Rafsanjani<sup>18</sup> and Khatami.<sup>19</sup> Bottom-up pressure from reformist and centrist constituents expressed on the campaign trail, coupled with efforts by political elders, compelled the sole reformist candidate (former Vice President Mohammad Reza Aref) to drop out at the last minute, arguably facilitating Rouhani's slim absolute majority win.<sup>20</sup> In contrast, the conservatives were deeply fractured. Failing to achieve unity, their leaders instead encouraged different conservative groups to form alliances.<sup>21</sup> In the end, even these splintered, and their votes split.<sup>22</sup> They were also hindered by Ahmadinejad's desultory eight-year record.<sup>23</sup> A former Iranian diplomat said, "after eight years of conservative-monopoly, resulting in the implosion of the economy and isolation of the country, chickens came home to roost".<sup>24</sup>

From the regime's perspective, moreover – and despite possible worries about the implications of Rouhani's victory – the result carried apparent benefits. Elections form an integral part of the Islamic Republic's political identity; over its 34 years in

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<sup>18</sup> Paradoxically, Rafsanjani's disqualification increased his popularity. In several open letters, scions of the revolution deplored his exclusion and implored Khamenei to repeal it by edict. Hossein Mousavi-an, a former member of the nuclear negotiating team and a Rafsanjani associate, said, "Rafsanjani's dramatic last-minute registration animated those who saw in him the sole statesman capable of altering the dominant paradigm. Similarly, his debarment shocked and angered many. But Rafsanjani skilfully turned the outrage into political capital, which he then invested in Rouhani's candidacy, and for the first time ever publicly endorsed a candidate". Crisis Group interview, Washington, 1 July 2013. Ghazian noted that "barring Rafsanjani from leading the Friday prayers in Tehran since 2009, prosecuting his children on questionable charges and his disqualification turned this pillar of the revolution into the 'anti-establishment candidate par excellence', which based on the patterns of 1997, 2005 and 2009 elections is a crucial political asset". Crisis Group interview, Washington, 8 July 2013.

<sup>19</sup> See Najmeh Bozorgmehr, "Reform leaders in Iran unite to back Hassan Rohani for presidency", *The Financial Times*, 11 June 2013.

<sup>20</sup> As a reformist member of Tehran's city council described people's chants of 'unite, unite', opinion polls, and leadership consultations led to the withdrawal of Aref. See "جزئیات روند انتخاب حسن روحانی به" "غنوان نامزد اصلاح طلبان از زبان مسجد جامعی" ["Details on choosing Hassan Rouhani as the reformist candidate in the words of Masjed Jamei"], *Khabaronline.ir*, 11 June 2013.

<sup>21</sup> "رئیس مجلس خبرگان: اتحاد میان اصولگرایان در انتخابات شرفی نیست" ["Head of the Assembly of Experts: Unity among conservatives is not in the cards"], *Fars News*, 25 November 2012. For a review of the pre-electoral coalitions see, Yasmin Alem and Barbara Slavin, "The Political Kaleidoscope Turns Again in Crisis-Challenged Iran: 2013 Elections", *The Atlantic Council*, 30 May 2013.

<sup>22</sup> Traditional conservatives and the clerical establishment endorsed Ali Akbar Velayati; radical conservatives tilted towards Jalili; and moderate conservatives backed either Ghalibaf or Rouhani. There also appeared to be divisions within Iran's Revolutionary Guards Corps (IRGC), as top military commanders seemed to support their former comrade Ghalibaf, while the paramilitary Basij force favoured Jalili. See, "انتخابات ۹۲ و چند دستگی سپاه پاسداران" ["The 2013 elections and fissures within the IRGC"], *Radio Free Europe*, 5 June 2013. Sadeh Zibakalam, a Tehran University professor, argued that "the fact that conservatives never thought that Rouhani stood a real chance of winning took away the aura of polarisation that was necessary for their unity". Crisis Group telephone interview, Tehran, 8 July 2013.

<sup>23</sup> No candidate represented the continuation of the status quo as much as Jalili, who was seen even by some conservatives as equally inexperienced and more dogmatic than Ahmadinejad. See "MP calls on Iranians to defeat candidate of 'extremists'", *RadioZamaneh.com*, 28 May 2013. A prominent Iranian entrepreneur said, "if Jalili wins, we will miss Ahmadinejad". Crisis Group telephone interview, Tehran, 7 June 2013. His poor showing at the polls underscored the shrinking support for his brand of revolutionary discourse – at least for the time being. Conservative strategist Amir Mohebian argued that "this is not the end of radical conservatives. The radicals will lurk in the shadows, waiting for Rouhani to falter in lifting the sanctions or reinvigorating the economy". Crisis Group email correspondence, Tehran, 14 July 2013.

<sup>24</sup> Crisis Group telephone interview, 26 June 2013.

existence, it has held 34.<sup>25</sup> The triumph of a loyal critic arguably helped rehabilitate the electoral system's legitimacy after the near-fatal hit suffered in 2009.<sup>26</sup> The Supreme Leader's rhetoric in the run-up to the vote seemingly validates the view that he was hoping to repair the authorities' image and restore his own above-the-fray stature: chiding those who impugned the electoral system's integrity; assuaging disqualified candidates; insisting that he had no favourite; and barring interference by armed forces.<sup>27</sup> He even took the unprecedented step of inviting "those who don't support the Islamic Republic" to cast their ballot to ensure a high turnout.<sup>28</sup> Hossein Ghazian, a sociologist, said:

Iran's social contract was revised in this election at a time of national peril. The society agreed to take part in what it perceived as a less than perfect election, and the state arguably accepted a less than perfect outcome. This dichotomous compromise was crystallised in the slogan "dictator, thank you", which people chanted on the streets in celebration of Rouhani's victory.<sup>29</sup>

All in all, the system recovered some of its legitimacy and potentially alleviated external pressure, at least temporarily; the feuding elite fashioned a new balance revolving around the centre; and a disaffected public held out hope for a different future through evolutionary – rather than revolutionary – change.<sup>30</sup> The fundamentals of the Islamic Republic's power structure have remained intact: the Supreme Leader's institutional authority (while not absolute) still dwarfs all other power-wielders, presidential prerogatives remain constrained by the constitution, and most power centres have

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<sup>25</sup> These include elections for parliament, president, local councils and Assembly of Experts (a body charged with selecting the Supreme Leader's successor). See Yasmin Alem, *Duality by Design: Iran's Electoral System*, International Foundation For Electoral Systems, March 2011. Crisis Group interviews, Mousavian, Washington, 1 July 2013; former Iranian diplomat, Istanbul, March 2013.

<sup>26</sup> A former senior official said, "it was decided well in advance that 2013 should erase the memory of the 2009 poll. An incident-free election with high participation and a genuine competition within the acceptable confines could lead to that result". Crisis Group interview, June 2013. A political analyst in Tehran noted that "the question of 'how' in this election was more important than the question of 'who'". Crisis Group telephone interview, 20 June 2013. While for some, such as Aref – the candidate who withdrew at the last minute – the 2013 polls redeemed the electoral system, others still experience the 2009 election as an unhealed wound. Mohammad Taghi Karroubi, son of one of the 2009 presidential candidates who remains under house arrest, said, "the 2013 election was a return to the Islamic Republic's established electoral model: 'control the input, accept the output'. This will not close the 2009 election's file, which we should employ to demand reforms in Iran's electoral structure". Crisis Group telephone interview, London, 17 July 2013.

<sup>27</sup> Crisis Group telephone interview, political analyst, Tehran, 1 July 2013. "Khamenei tells Iranians: criticising election will help enemies", Reuters, 8 January 2013; "Iran's Khamenei on U.S. critics of presidential election: the hell with you", Associated Press, 14 June 2013. A message published on the Supreme Leader's website said, "[t]he disqualified candidates are not unqualified individuals", Khamenei.ir, 22 May 2013. "Iran's Khamenei says [he] has no favourite to succeed Ahmadinejad", Reuters, 29 May 2013. "[تندبیر رهبری در دستور به نیروهای مسلح و ائمه‌جمعه در خلق حماسه سیاسی تعیین کننده بود]" ["The Leader's wise edict to the military forces and Friday Prayer leaders was decisive in creating the political epic"], Mehr News Agency, 24 June 2013.

<sup>28</sup> "Iran's Khamenei says big election turnout will frustrate foes", Reuters, 12 June 2013.

<sup>29</sup> Crisis Group interview, Washington, 8 July 2013.

<sup>30</sup> Djavad Salehi-Isfahani, an economist, said, "the similar distribution of Rouhani's vote in urban and rural areas showed that Iranian people no longer believe in economic populism and radical change. They have the maturity to understand that the solution to their country's predicaments are in competent management of the economy and moderation in international relations". Crisis Group interview, Washington, 16 July 2013.

stayed in conservative hands. Whatever the downsides of Rouhani's triumph to the Supreme Leader and others, these gains might well have been seen as compensation.

### **III. How Meaningful an Election?**

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Since his victory, commentators have been quick to debate the extent of the president's authority. Subservient to the Supreme Leader, with whom key decisions ultimately rest, and captive to a sharply polarised polity in which presidents traditionally have been stymied by their opposition, Rouhani – some believe – will enjoy scant autonomy.<sup>31</sup> Others argue just as forcefully that presidents matter, pointing to the sharp differences in Iran's trajectory under Presidents Rafsanjani, Khatami and Ahmadinejad; they suggest that Rouhani's relatively modest popularity – at least in comparison to Khatami at the time of his election<sup>32</sup> – could prove an asset, as he will be considered less threatening by other power centres.<sup>33</sup>

Neither interpretation is wholly accurate, and both downplay the complexity of an opaque political system with plural power centres that enjoy shifting degrees of influence.<sup>34</sup> Iranian presidents are sandwiched between the office of the Supreme Leader (the ultimate decider), parliament (the ultimate legislator) and the Guardian Council (the ultimate arbiter of legislation's constitutionality and conformity with Islam). Together, these institutions have a direct say and exercise veto powers on presidential policies and key appointments.

Nonetheless, the president's style and tone, whether on matters domestic or foreign, count – a fact amply demonstrated by the harm wrought by Ahmadinejad's.<sup>35</sup> Rouhani, like his predecessor, also has a hand in choosing his team, and is inclined to bring back more competent managers and seasoned diplomats cast out by Ahmadinejad.<sup>36</sup> Hossein Mousavian, Rouhani's former deputy in the nuclear negotiations,

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<sup>31</sup> Crisis Group interviews, U.S., EU and Israeli officials, Washington-Brussels and Jerusalem, June-July 2013. U.S. President Obama remarked: "I think we understand that under their system the Supreme Leader will be making a lot of decisions. And so we're going to have to continue to see how this develops and how this evolves over the next several weeks, months, years". See "Obama on Rouhani Victory", Iran Primer, United States Institute of Peace, 17 June 2013. Some point to his slim margin of victory to cast further doubts on his political weight. Crisis Group interviews, former U.S. officials and Iran analysts, Washington, 12 July 2013. The Supreme Leader's authority is based on Articles 110 and 113 of the constitution; both voters and presidential hopefuls were constantly reminded of it throughout the elections. See, "Hopefuls incompetent to talk about Iran-US ties", Press TV, 3 May 2013.

<sup>32</sup> Khatami won with nearly 70 per cent of the vote in 1997, compared to Rouhani's 50.7 per cent.

<sup>33</sup> Crisis Group telephone interview, Nasser Hadian, Tehran University professor and adviser at Rouhani's Centre for Strategic Research, Tehran, 1 July 2013. Another former colleague of Rouhani noted: "If he was as popular as Khatami or had won a decisive majority, other power centres would perceive him as a threat". Crisis Group telephone interview, Tehran, 3 July 2013.

<sup>34</sup> Crisis Group wrote: "Iran's strategic decisions appear to be made by a small group of senior officials who are both relatively insulated from, and yet reflect, alterations in formal institutional structures (eg, as a result of elections or personnel changes) and broader regional and international conditions". Middle East Briefing N°18, *Iran: What Does Ahmadinejad's Victory Mean?*, 4 August 2005.

<sup>35</sup> Ahmadinejad's inflammatory rhetoric was even chastised by conservative presidential contenders, except Jalili, during the campaign. Arash Karami, "Potential presidential candidate says Holocaust denial was damaging", Al-Monitor.com, 23 April 2013.

<sup>36</sup> Rouhani's cabinet picks, while accommodating conservative concerns on some sensitive posts such as the intelligence, interior and Islamic culture & guidance ministries, signalled the return of the technocratic elite who served in the Rafsanjani and Khatami administrations. See Thomas Erdbrink, "Iranian President is sworn in and presents a new cabinet of familiar faces", *The New York Times*,

said, “if you don’t believe the president matters in foreign policy, just compare the two previous presidencies. The Leader was the same, but Iran’s foreign policy was conciliatory under Khatami and confrontational under Ahmadinejad”.<sup>37</sup>

What is more, navigating Iran’s political waters is not a new challenge to Rouhani.<sup>38</sup> Close to the pinnacles of power since the 1979 revolution,<sup>39</sup> he possesses several advantages over his predecessors. The first is his long history of direct work with the Supreme Leader; while acknowledging Khamenei as the ultimate decision maker, he appears convinced he can help set and steer the agenda.<sup>40</sup> Rouhani also apparently believes that, with the Supreme Leader’s blessing, he will be in a position to neutralise domestic critics.<sup>41</sup> A former Iranian diplomat said, “for now, Khamenei trusts Rouhani. He knows that the new president will steer the ship of state in a slightly different direction but will not sink it”.<sup>42</sup>

The second is Rouhani’s long experience as a consensus-builder, what he described as “coordinating and at times mediating factional and inter-agency disputes”.<sup>43</sup> True,

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4 August 2013. Predicting this, Hadian had called it “the return of the professionals”. Crisis Group telephone interview, Tehran, 1 July 2013.

<sup>37</sup> Crisis Group interview, New York, 24 June 2013.

<sup>38</sup> Ray Takyeh, an Iran analyst, wrote: “Rouhani has been a regime insider since the beginning of the Islamic Republic in 1979. His ability to traverse the treacherous waters of the theocracy reflects his unparalleled political acumen”. See “Hassan Rouhani’s Burden”, *The Los Angeles Times*, 29 July 2013.

<sup>39</sup> He served as a member of parliament (1980-2000), commander of national air defence (1986-1991), secretary of the Supreme National Security Council (SNSC) (1989-2005), and director of the Centre for Strategic Research (1992-2013), a think-tank affiliated with the Expediency Council, which is an advisory body to the Supreme Leader. Between 2003 and 2005, he served as chief nuclear negotiator. At the time he registered for the 2013 election, he was both a member of the Assembly of Experts, as well as the Leader’s personal representative to the SNSC.

<sup>40</sup> Having served sixteen years as secretary of the SNSC, Rouhani enjoyed direct access to and regular interaction with Khamenei. In his memoir, Rouhani recounted that despite his initial reluctance, he took over the nuclear file in 2003 once the Leader told him: “This is a burden on my shoulders; take it on yours”. Hassan Rouhani, *National Security and Nuclear Diplomacy* (Tehran, 2011), p. 137 (in Persian, translation by Crisis Group). In an interview, he said, “decisions on major foreign policy issues constitutionally require the support of the Supreme Leader. I am privileged to have a long experience of working closely with [him], having served as national security adviser during the Khatami and Rafsanjani administrations. Even during the last eight years, I remained one of his two representatives to the Supreme National Security Council. If elected, I expect to receive the same support and trust from the Supreme Leader on initiatives and measures I adopt to advance our foreign policy agenda”. See “In conversation with Hassan Rouhani”, *Asharq Al-Awsat*, 15 June 2013. Mousavian, former head of the SNSC’s Foreign Relations Committee, noted that “the majority of the SNSC members are appointed by the president, who also heads the meetings. Thus, their voice is decisive in policymaking. The Leader rarely vetoes SNSC decisions made by consensus”. Crisis Group interview, Washington, 1 July 2013. For more on the decision-making process at the SNSC, see Rouhani, *National Security and Nuclear Diplomacy*, op. cit., p. 93.

<sup>41</sup> Rouhani noted: “[domestic] radicals and extremists were isolated and silenced after the Supreme Leader’s strong confirmation of [the 2003 nuclear agreement Rouhani signed with his European interlocutors]”. *National Security and Nuclear Diplomacy*, op. cit., p. 669.

<sup>42</sup> Crisis Group telephone interview, Tehran, 24 June 2013. Of course, although a good relationship with the Leader is necessary for an effective presidency, it is not sufficient; Ahmadinejad initially had Khamenei’s full backing but constantly was at loggerheads with the parliament. See Crisis Group Middle East Briefing N°21, *Iran: Ahmadinejad’s Tumultuous Presidency*, 6 February 2007.

<sup>43</sup> Rouhani, *National Security and Nuclear Diplomacy*, op. cit., p. 103. Too, SNSC meetings, in Rouhani’s own words, included “an amalgam of the three branches of government and senior civil and military officials”. His two decades as a lawmaker and member of parliament’s executive board could help him fashion a cordial relationship with the legislative body. See “Rouhani pledges end to bickering with Iran parliament”, Reuters, 15 July 2013.



he arguably will lack strong factional support, given his position at the centre of the political spectrum,<sup>44</sup> yet at the same time this could neutralise opposition. Having witnessed dysfunction induced by acrimonious factional politics, he pledged to assemble a non-partisan cabinet, which he ultimately did.<sup>45</sup>

#### IV. The Nuclear Conundrum

Debates about the president's influence spill over into debates over his views, particularly on the nuclear file. On the one hand are those who, like Israeli Prime minister Benjamin Netanyahu, claim he is a "wolf in a sheep's clothing",<sup>46</sup> the softer face of a regime determined to acquire a nuclear weapon but opting for a more skilful – and deceptive – approach.<sup>47</sup> Under this theory, the election will allow Iran to promote cracks within the P5+1 and lessen its regional isolation, thus reducing both the harm inflicted by present sanctions and the likelihood of future internationally-backed ones.<sup>48</sup> On the other, some analysts see a clear sign that the Islamic Republic is searching for a way out of the nuclear crisis: that Rouhani is, in the words of one, a "fixer brought into office to save the Islamic Republic from itself".<sup>49</sup> All of which ex-

<sup>44</sup> Rouhani argued that before accepting the responsibility of nuclear negotiator he had feared that "his lack of factional affiliation could result in uncooperativeness and weaken the national consensus around the nuclear file"; he noted this concern was validated by subsequent events. *National Security and Nuclear Diplomacy*, op. cit., p. 689.

<sup>45</sup> Crisis Group telephone interviews, Iranian political analysts, Tehran, 5 and 6 August 2013. Sadegh Zibakalam, a professor at Tehran University, called this "a delicate balancing act". He added: "The reformists purged the conservatives when they came to power in 1997. The conservatives retaliated in 2005. Rouhani is not going to commit the same error, because he has observed first-hand that no faction can monopolise the country's governance without creating paralysis". Crisis Group telephone interview, Tehran, 8 July 2013; Alireza Eshraghi, "Iran's proposed cabinet: The old guard is back in charge", CNN (online), 7 August 2013.

<sup>46</sup> "Benjamin Netanyahu brands new Iranian president a 'wolf in sheep's clothing'", Associated Press, 15 July 2013.

<sup>47</sup> Crisis Group interviews, former U.S. officials, Israeli officials and Iran analysts, Washington, July 2013. See also Reuel Marc Gerecht, "Rouhani Is a Tool of Iran's Rulers", *The New York Times*, 17 June 2013. Mark Dubowitz, "Why you shouldn't get too excited about Rouhani", *The Atlantic*, 17 June 2013.

<sup>48</sup> A close Rouhani associate implicitly gave some credence to this view, saying, "the new president will make a genuine effort to resolve the nuclear impasse. But if sanctions are not lifted, Rouhani will opt for sanctions fatigue by showing that Iran is not the inflexible party at fault". Crisis Group telephone interview, Tehran, 13 July 2013. This also is in line with Rouhani's own prior writings: "Confronting a united Europe and the U.S. was very hard for the Islamic Republic, and hence the necessity of creating fissures – albeit limited – in the Western front". *National Security and Nuclear Diplomacy*, op. cit., p. 665. See also Louis Charbonneau, "Russia, China block U.N. condemnation of Iran missile tests", Reuters, 15 July 2013. That said, a senior U.S. official commented on the fact that P5+1 unity had remained intact even in the wake of the election. Crisis Group interview, Washington, 18 July 2013. Mending Iran's relations with Saudi Arabia appears to be another top Rouhani priority. Crisis Group email correspondence, Kayhan Barzegar, director, Institute for Middle East Strategic Studies, Tehran, 16 July 2013. Rouhani's past record; the role he played in brokering a non-interference security pact between Iran and Saudi Arabia in 1998; and his trips to Gulf Cooperation Council countries in 2005 and 2007 arguably increase the odds of progress. For an overview of obstacles, see F. Gregory Gause III, "Iran's Incoming President and the New Middle East Cold War", Iran@Saban–Brookings Institution, 8 July 2013.

<sup>49</sup> Crisis Group interview, Iran analyst, Washington, 22 July 2013. See also Joschka Fischer, "A Glimmer of Hope in Iran", Project Syndicate, 24 June 2013; Vali Nasr, "Regime change Obama can believe in", *Foreign Policy* (online), 16 July 2013. A French official said, "it is simplistic to believe that Rouhani was elected due to sanctions, but it also is misguided to believe that sanctions played no role". Crisis Group interview, 8 July 2013.

plains why the mood in the West, as a U.S. official put it, is one of cautious optimism in which “the caution is greater than the optimism”.<sup>50</sup>

Any attempt at prediction at best is speculation, but that speculation should be informed by three factors at a minimum: the constants of Tehran's nuclear policy and thus inherent limits on the new president's manoeuvring room; Rouhani's record; and his more recent pronouncements.

As for the first: details of a potential nuclear agreement aside, there is little reason to doubt that any Iranian leader will insist on preserving the country's nuclear program and on achieving recognition of what it views as its “inalienable right to enrichment”.<sup>51</sup> Rouhani's record and pronouncements portend no deviation from this relatively fixed bottom line.<sup>52</sup> A former member of Iran's nuclear negotiating team said:

Rouhani was very protective of the program. That is why in 2003 he limited suspension to injection of uranium gas into centrifuges, so that efforts towards completing other parts of our nuclear infrastructure could continue. The nuclear program is Rouhani's brainchild. From visiting the Bushehr reactor after it was attacked by Iraq in the early 1980s, to conducting negotiations with Russia and China to obtain nuclear power plants in the late 1980s and his 678 days as the chief nuclear negotiator, he has been consistently and intimately involved with it.<sup>53</sup>

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<sup>50</sup> Crisis Group interview, Washington, 3 July 2013; also Crisis Group interviews, U.S. and EU officials, Washington-Brussels, June 2013.

<sup>51</sup> A senior U.S. official said, “the West will never explicitly recognise such a right. Why should we specify what the Non-Proliferation Treaty (NPT) has left ambiguous?” Crisis Group interview, Washington, 7 May 2013. A core concern is that such recognition might set a precedent, triggering proliferation of dual-use enrichment technology around the world. Another senior U.S. official asked: “How can we go to the United Arab Emirates and ask them to respect our bilateral agreement and refrain from uranium enrichment, when Iran has been given the right to enrich on its soil?” Crisis Group interview, Washington, 18 July 2013. For more, see Daryl Kimball, “The U.S. Atomic Energy Act Section 123 at a Glance”, Arms Control Association, March 2013. Reluctance also stems from fear that this could make curbing Iran's nuclear program's scale and scope much harder at a time when the International Atomic Energy Agency (IAEA) still is unable to “conclude that all nuclear material in Iran is in peaceful activities”. Crisis Group interviews, U.S. and EU officials, Washington-Brussels, October 2012-May 2013. See “Implementation of the NPT Safeguards Agreement and relevant provisions of Security Council resolutions in the Islamic Republic of Iran”, IAEA, GOV/2013/27, 22 May 2013. Lastly, and critically, the U.S. and its allies are loath to grant Iran a right to enrich and thus undermine six UN Security Council resolutions between 2006 and 2010 (1696, 1737, 1747, 1803, 1835 and 1929) demanding suspension of all of its enrichment activities until confidence in the exclusively peaceful nature of its program is restored.

<sup>52</sup> Rouhani asserted that recognition of Iran's right to enrich was a principal objective he pursued during the 2003-2005 negotiations with the EU-3, noting, “any government that accepts long-term suspension or stopping enrichment is doomed to collapse”. *National Security and Nuclear Diplomacy*, op. cit., p. 61, 666. He also explained how, by abandoning economic and political discussions that were taking place in parallel to nuclear negotiations with the EU-3 and passing legislation mandating the government to produce fuel for 20,000 megawatts of nuclear power capacity, Iran sought to signal it never would trade away uranium enrichment in exchange for political and economic compensation. Ibid, pp. 437-439. After the election, Rouhani suggested such recognition was a precondition for bilateral talks with the U.S. Yeganeh Torbati, “Rouhani: U.S. must recognise Iran's nuclear rights before any direct talks”, Reuters, 17 June 2013. After taking office, he said, “we will not give up the rights of the Iranian people”. See “The President's first press conference”, President.ir, 6 August 2013.

<sup>53</sup> Crisis Group telephone interview, Tehran, 1 August 2013. Rouhani said, “[t]he Islamic Republic is determined to build nuclear power plants for fulfilling its energy needs .... Fortunately this national project has made significant strides in the past few years, and now enrichment has reached an ac-

Rouhani likewise will confront domestic political dynamics and attitudes his election will have done little to alter. He mentions these in the memoir he published in 2011: a political culture that encourages risk aversion<sup>54</sup> and deflects responsibility for controversial decisions;<sup>55</sup> “extreme cynicism” towards the West;<sup>56</sup> complex and oftentimes paralyzing coordination mechanisms;<sup>57</sup> impatience;<sup>58</sup> and inherent difficulties in forging national consensus.<sup>59</sup>

The new president brings to the table a mixed record. He is the architect of the sole nuclear agreement between the Islamic Republic and the West, a not inconsiderable achievement given the depth of mistrust.<sup>60</sup> But he also openly justified the accord as allowing Iran to complete its nuclear infrastructure even while negotiating and criticised his successors for their reckless negotiating style more than for their ultimate goals.<sup>61</sup> In his words, “with more prudence, the country could have incurred less

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ceptable technological level, and different parts of the nuclear fuel cycle have been completed. Iran's main strategy has always been to maintain and complete its indigenous technology and knowhow .... The Islamic Republic's nuclear program is indigenous, peaceful, and irreversible”. See “Interview with Hassan Rouhani”, Iranian Diplomacy (irdiplomacy.ir), 27 May 2013. In his most recent book, he wrote: “The country's scientific and technological advancement through acquiring nuclear knowhow is not an image that could be framed by one government, or group, or constituency. Every government since the revolution, depending on its capabilities and circumstances, has made efforts for it”. *National Security and Nuclear Diplomacy*, op. cit., p. 21.

<sup>54</sup> “Few are willing to accept the heavy burden of sensitive national decisions in Iran, as they know that those without responsibility will berate and blame them and damage the people's trust in the system”. Ibid, p. 59.

<sup>55</sup> Rouhani's account of the talks with the EU-3 in 2003 that led to Iran's suspension of enrichment is telling: “I first called the president [Khatami] and apprised him of the difficulties in the talks, my own view and our experts' opinions. Ultimately, he said ‘do as you deem expedient but avoid a breakdown in talks’ ... I then contacted the office of the Supreme Leader and requested that the details of the discussions be relayed to him and [that] I be immediately informed of his opinion. But I received no response. As such, the situation allowed some manoeuvrability on the wording of the draft agreement”. Ibid, p. 181. Rouhani was later criticised for this decision by many inside the country, including the Supreme Leader.

<sup>56</sup> “Extreme cynicism towards the West and international organisations is a chronic pain, congealed into the minds of many. Some of it is justified, but such doctrinaire views are unrealistic”. Ibid, p. 684.

<sup>57</sup> “Because of domestic pressures and pessimistic views on foreign relations, the nuclear team had to coordinate every single step with senior officials. The assumption was that the nuclear team had full authority, but the reality was totally different”. Ibid, p. 342.

<sup>58</sup> “Unfortunately, some expected the [nuclear] issue to be settled in a matter of months. But for me, it was clear that such a complex problem cannot be resolved in the short-term”. Ibid, p. 151.

<sup>59</sup> “Experience shows that tying systemic decisions and major policies to interests of one faction undermines national interest and harms the country. During nuclear negotiations I repeatedly witnessed criticism, questions and slanders aimed at settling political accounts”. Ibid, p. 686.

<sup>60</sup> Under an initial accord, reached on 21 October 2003, Iran voluntarily implemented the IAEA's Additional Protocol and temporarily suspended all enrichment and reprocessing activities as defined by the IAEA. Pursuant to another, signed in Paris on 15 November 2004, Iran reaffirmed it would not seek nuclear weapons, committed to full cooperation and transparency with the IAEA and agreed to prolong its suspension of all enrichment related and reprocessing activities. For its part, the EU-3 recognised the suspension as “a voluntary confidence building measure and not a legal obligation” and agreed to provide Iran “firm guarantees on nuclear, technological, economic and security cooperation”. See Crisis Group Middle East Reports N°18, *Dealing with Iran's Nuclear Program*, 27 October 2003; and N°51, *Iran: Is There a Way Out of the Nuclear Impasse?*, 23 February 2006. A former French ambassador to Iran suggested Rouhani was instrumental in the 2003 decision to halt the alleged military dimension of Iran's nuclear program. See François Nicoullaud, “Rouhani and the Iranian bomb”, *International Herald Tribune*, 26 July 2013.

<sup>61</sup> In 2005, he wrote: “While we were talking with the Europeans in Tehran ... by creating a calm environment, we were able to complete the work in Isfahan [nuclear facility]”. See Hassan Rouhani,

costs for these nuclear advancements”.<sup>62</sup> Moreover, lessons he has learned from the 2003/2004 deal – and from the bitter criticism he subsequently endured at home – could well induce him to greater caution;<sup>63</sup> in hindsight, the agreement was seen as deeply flawed and one in which Iran’s suspension resulted neither in recognition of its right to enrichment nor in promised nuclear, technological, economic and security inducements.<sup>64</sup> A former colleague said, “he made all the concessions the Europeans asked for in 2003 and 2004. But the West left him empty-handed and under fire from Iranian hardliners”.<sup>65</sup> In the same vein, a former Iranian diplomat noted: “Khamenei has to prove that the nuclear program was worth the pain, and Rouhani has to prove that he is not a pushover. Hence their need for significant Western concessions”.<sup>66</sup>

A likely consequence is that Rouhani will be highly reluctant to take any step that is tantamount to suspending enrichment. As he put it, “the era [of suspension] has passed .... There are so many other ways for restoring international trust”.<sup>67</sup> Instead, he will likely be far more inclined to focus on measures to increase transparency of the nuclear program.<sup>68</sup>

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“Beyond the challenges facing Iran and the IAEA concerning the nuclear dossier”, *Rahbord*, 30 September 2005. A member of Rouhani’s negotiating team argued that: “His statements were designed for a domestic audience and to clear his name of sell-out charges levied against him by his opponents”. Crisis Group telephone interview, Tehran, 13 July 2013. For a debate on this subject see, John Bolton, “Hassan Rouhani is no moderate on Iran’s nuclear weapons program”, *Foxnews.com*, 18 June 2013; Peter Jenkins, “Did Hassan Rouhani Dupe Europe in 2003?” *Lobelog.com*, 25 June 2013.

<sup>62</sup> “Interview with Hassan Rouhani”, *Iranian Diplomacy*, op. cit.

<sup>63</sup> After succeeding Rouhani as lead nuclear negotiator in 2005, Ali Larjani criticised the previous team’s “frightened” strategy of “trading a rare pearl for a lollipop”. See Sadeq Saba, “Iran hardliner heads nuclear team”, *BBC*, 8 August 2005.

<sup>64</sup> The EU-3 had committed to resume negotiations on a trade and cooperation agreement; actively support negotiations regarding Iran’s accession to the World Trade Organisation (WTO); invite Iran to join the Expert Group on Multilateral Approaches to the Nuclear Fuel Cycle (an expert group set up at the IAEA to assess options for multilateral approaches to the nuclear fuel cycle); cooperate on security issues; and support Iran’s acquisition of a light water research reactor. See “Communication concerning the agreement signed in Paris on 15 November 2004”, IAEA, INFCIRC/637, 26 November 2004.

<sup>65</sup> Crisis Group telephone interview, Tehran, 13 July 2013.

<sup>66</sup> Crisis Group telephone interview, Tehran, 31 July 2013. Rouhani made clear that Iran could not afford to appear to be buckling under pressure: “At times, public expectations render taking the right decision hard. For example, officials were unable to resolve the [1979-1980] U.S. embassy hostage crisis swiftly, lest people perceive them as retreating and fearful of the U.S.”. See *National Security and Nuclear Diplomacy*, op. cit., p. 70.

<sup>67</sup> See “Rouhani: First Presser on US, Reforms, Nukes”, *Iran Primer*, United States Institute of Peace, 17 June 2013.

<sup>68</sup> *Ibid.* Rouhani has pointed to his purported agreement with then French President Jacques Chirac as a possible model. In 2005, during a conversation, they apparently agreed on the following deal: Iran would accept the IAEA’s definition of “objective guarantees” that the nuclear program would remain peaceful (such as implementation of the Additional Protocol, Code 3.1 – which requires informing the agency of any new nuclear facility at the time a decision to build it is taken; in-house inspectors; and live-stream cameras) in return for recognition of its right to enrichment. For the transcript of the Rouhani-Chirac negotiations, see *National Security and Nuclear Diplomacy*, op. cit., pp. 399-404; Rouhani, “Iran’s Nuclear Program: The Way Out”, *Time*, 9 May 2006. A French diplomat who was involved in the discussions asserts that this was an informal proposal and rejects the notion that it represented Paris’s official position. Crisis Group interview, July 2013. A former Iranian official noted: “Rouhani is more comfortable with transparency, because most attacks on his record referred to his capping of the program, not on making it more transparent”. Crisis Group telephone interview, Tehran, 24 July 2013.

Whether these will suffice is highly questionable; inasmuch as the West's principal goal is to ensure it will have time to intervene before Iran crosses the nuclear military threshold (in other words, to "thicken the line between Iran's nuclear program and breakout capability"),<sup>69</sup> rapid growth in the number of centrifuges (from 160 when Rouhani took over the nuclear file in 2003 to more than 16,000 today) is a core preoccupation that heightened transparency does not address. As an EU official said, "transparency is very positive, but the Iranians can very transparently become a virtual nuclear weapons state".<sup>70</sup> Even a focus on stopping 20 per cent enrichment – something Iranian officials previously suggested<sup>71</sup> – might no longer be particularly appealing to the West; a U.S. official noted: "Stopping 20 per cent enrichment is starting to lose its value in light of new sources of concern, such as the heavy water reactor in Arak, growing of the 5 per cent [enrichment] stockpile and installation of advanced centrifuges".<sup>72</sup>

Such obstacles aside, one feature of the landscape appears to have changed: as the presidential campaign revealed, there is deep dissatisfaction with Tehran's negotiating strategy among significant segments of the population, elite included. These came to the surface most vividly during a televised debate, when candidates verbally assaulted Saeed Jalili, the incumbent nuclear negotiator, disavowing both his performance and his so-called discourse of resistance.<sup>73</sup> Nasser Hadian, an adviser at the Centre for Strategic Research, a well-connected think-tank Rouhani led for 21 years until his presidency, said:

Although policy differences are not a novelty, airing them in public was. The exchange lifted the curtain on the fact that an important segment of Iranian officialdom wants a nuclear deal, desires the removal of sanctions and rejects confrontation.<sup>74</sup>

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<sup>69</sup> Crisis Group interview, U.S. official, Washington, July 2013. A country reaches the nuclear military threshold when it possesses the capacity to manufacture one or more nuclear weapons within a short timeframe; breakout capability refers to the ability to process low-enriched uranium into weapons grade fissile material without detection.

<sup>70</sup> Crisis Group interview, Washington, 9 July 2013.

<sup>71</sup> In 2010, Iran offered to suspend its enrichment of uranium to the 20 per level in return for the provision of nuclear fuel rods for the Tehran research reactor. See "Interview with Ali Akbar Salehi", Al Jazeera, 13 February 2010. By 2013, however, Iran had shifted its position, demanding removal of all unilateral sanctions in exchange for suspending such enrichment. Crisis Group interview, Saeed Jalili, Almaty, 5 April 2013. A former Iranian official argued: "Given the sanctions, every gram of 20 per cent enriched uranium has cost Iran hundreds of millions of dollars. How can we trade such a strategic asset for symbolic sanctions relief?" Crisis Group interview, July 2013.

<sup>72</sup> Crisis Group interview, Washington, 7 May 2013. Israeli officials echoed the same concerns. Crisis Group interviews, Jerusalem, 4 July 2013; Washington, 6 August 2013.

<sup>73</sup> Velayati, the Supreme Leader's foreign policy adviser, said that since 2007 Iran has not taken "a step forward" in talks, while "the pressure of sanctions has continuously increased on the people". He added: "You want to take three steps, and you expect the other side to take 100 steps; this means that you don't want to make progress .... This is not diplomacy". Reinforcing the same criticism, Mohsen Rezaei, a former IRGC commander, asked whether resistance should come "at the price of keeping Iran's population hungry". See Scott Peterson, "Stalled nuclear talks fuel sharp exchange at Iran's final presidential debate", *The Christian Science Monitor*, 8 June 2013. Velayati's outburst was all the more remarkable given his assumed close ties to the Supreme Leader. Some speculated that he had Khamenei's blessing and that the Leader was seeking to deflect blame for the country's situation onto Jalili; others disagreed and focused more on Velayati's personal animus toward Ahmadinejad and Jalili as the reason for his attacks. Crisis Group interviews, former Iranian officials, June-July 2013.

<sup>74</sup> Crisis Group telephone interview, Tehran, 1 July 2013. Zibakalam, a professor at Tehran University said, "the presidential debate reflected the wider debate that is taking place within the Iranian society. For the first time, people are asking questions like 'Is the nuclear program really worth the

This argument is bolstered by the fact that Rouhani emphasised his economic agenda, realisation of which would be nearly impracticable without significant sanctions relief, itself impossible without some nuclear accord.<sup>75</sup>

## V. Dealing with Rouhani

Much like his election was, the implications of Rouhani's presidency are difficult to predict. Although his ability to shift the course of his nation's nuclear diplomacy remains to be seen – along with the extent to which he wishes to do so – a few things seem clear: there is broad dissatisfaction with Iran's current stance on this issue; the new president is persuaded that its strategy is not working;<sup>76</sup> and the unexpected electoral outcome gives him a relatively potent mandate for change.

For now, the West appears to have adopted a wait-and-see posture, testing the degree of change induced by the elections and persuaded it has already tabled a reasonable offer that warrants a response or commensurate counter-offer.<sup>77</sup> As a U.S. official put it, “we should not be negotiating with ourselves” by putting forward one position after another in the absence of a commensurate Iranian response.<sup>78</sup> This is understandable but could prove short-sighted. Even as the P5+1 awaits Rouhani's

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direct and indirect costs that it has inflicted on the country?” Crisis Group telephone interview, Tehran, 8 July 2013. On the Centre for Strategic Research, see fn. 39 above.

<sup>75</sup> Djavad Salehi-Isfahani, an Iranian economist, said, “Rouhani's focus likely will be on economic revival rather than deep structural reforms, but even that is hardly possible without lifting sanctions”. Crisis Group interview, Washington, 16 July 2013. An Iranian entrepreneur said, “Iran's economy is like a cancer patient. Rouhani can provide an aspirin to alleviate the fever, but getting specialised cancer medication necessitates better relations with the outside world, and money”. Crisis Group telephone interview, Tehran, 26 June 2013. Tellingly, in the wake of the elections, the rial – which lost nearly two thirds of its value in 2012 – regained 20 per cent of its value against the dollar, and the Tehran stock exchange rose 7 per cent. See “Iran's currency rises after presidential election”, Associated Press, 23 June 2013. That said, any initial whiff of optimism was counteracted by a realisation of the sombre economic picture that purportedly shocked Rouhani's transition team. See “اکبر ترکان: وضع اقتصاد خرابتر از آن است که تصور می‌کردیم” [“Akbar Torkan: The economic situation is worse than expected”], Khabaronline.ir, 14 July 2013. Rouhani campaigned on social issues as well, pledging to draw up a “civil rights charter” to eliminate any kind of discrimination against ethnic and religious minorities; roll back restrictions on freedom of expression and assembly, the internet, and dress codes; respect women's rights and establish a ministry for women's affairs; and resuscitate civil society organisations. “Iran's president signals softer line on web censorship and Islamic dress code”, *The Guardian*, 2 July 2012. But, in the words of an Iranian analyst, “between expending his political capital on bringing economic reprieve or relief from social restrictions, he probably will prioritise the former”. Crisis Group telephone interview, Tehran, 4 July 2013.

<sup>76</sup> During the presidential campaign Rouhani made the clearest connection between failures of Iran's nuclear negotiating strategy and its sanctions-induced economic malaise. His electoral slogans included: “It is good for the centrifuges to spin, but the wheels of Iranian factories should also spin” and “Nuclear energy is our absolute right, but so is life without sanctions”. See “حسن روحانی اعلام کرد کاندیداتوری کرد” [“Hassan Rouhani announced his candidacy”], Entekhab.ir, 11 April 2013.

<sup>77</sup> Crisis Group interviews, U.S. and EU officials, Washington-Brussels, July 2013. Paul Richter, “U.S. resists pressure to offer a new nuclear deal to Iran”, *The Los Angeles Times*, 12 July 2013. At the last round of talks in April 2013, the P5+1 suggested that Iran stop its 20 per cent enrichment; ship out or convert its existing stockpile of 20 per cent enriched uranium; and mothball its bunker facility in Fordow. In return, they would relax restrictions on gold trading and sale of petrochemical products. Crisis Group interview, U.S. official, Washington, 24 June 2013. For the proposal's details, see Laura Rozen, “The P5+1 nuclear proposal to Iran in Almaty: Document”, Al-Monitor.com, 9 June 2013. Tehran criticised the offer as “unbalanced”. See David Herszenhorn, “Nuclear talks with Iran end without accord or plans for another round”, *The New York Times*, 6 April 2013.

<sup>78</sup> Crisis Group interviews, Washington, 12 July 2013.

first step, time will not stand still. Iran likely will acquire more low enriched uranium,<sup>79</sup> increase the number of installed centrifuges – particularly of the more advanced models;<sup>80</sup> and possibly complete the heavy water reactor in Arak.<sup>81</sup> Neither the U.S. Congress nor, more importantly, Israel can be expected to sit passively; the former already is moving on heightened sanctions that could undermine Rouhani's domestic position even before he has a chance to test his approach,<sup>82</sup> and the latter has been speaking of Iran with renewed urgency.<sup>83</sup>

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<sup>79</sup> In May 2013, the net 5 per cent enriched uranium stockpile was at 6,357kg, while the 20 per cent stockpile was at 182kg – still below – but not by a great deal – the 250kg red line stated by Netanyahu. See IAEA, GOV/2013/27, op. cit.

<sup>80</sup> Between May 2012 and May 2013, Iran increased the number of installed IR-1 centrifuges (in Natanz and Fordow) from nearly 10,000 to more than 16,000. The number of advanced IR-2m centrifuges increased from 180 in February 2013 to 689 in May 2013. Ibid.

<sup>81</sup> The heavy water reactor is scheduled to become operational by late-2013 or early 2014. Ibid. That timetable, however, appears unrealistic. By producing plutonium, it could provide a second path to nuclear weapons; nearing completion of the reactor could well prompt a preventative Israeli strike. An Israeli official noted: "Unlike other nuclear developments in Iran, the Arak issue is a binary one. It simply cannot be taken out after it becomes operational, since that will prompt an environmental catastrophe". Crisis Group interview, Jerusalem, 4 July 2013. Twice before, Israel has attacked suspected reactors in regional countries before their completion – in Iraq in 1981 and in Syria in 2007. See "Iran's Arak reactor looms into Israeli, Western view", Reuters, 2 June 2013.

<sup>82</sup> "American and European diplomats are willing to give diplomacy several months to work, but Congress cannot wait more than several weeks". Crisis Group interview, representative of the American Israel Public Affairs Committee, Washington, 2 July 2013. There are some signs of dissent within Congress; 131 lawmakers cautioned against "engaging in actions that delegitimise the newly elected president and weaken his standing relative to hardliners within the regime". See Max Fisher, "U.S. Congress gestures in an unusual direction: toward diplomacy with Iran", *The Washington Post* (online), 19 July 2013. But the impetus for more sanctions remains strong. Just four days before Rouhani's inauguration, the House of Representatives overwhelmingly (400 to 20) approved the Nuclear Iran Prevention Act, which aims at cutting Iran's oil exports by one million barrels per day by the end of 2014, amounting to a virtual oil embargo. Rick Gladstone, "Sending Message to Iran, House approves tougher sanctions", *The New York Times*, 31 July 2013. The bill still requires approval by the Senate, where it seems to enjoy strong bipartisan support. Bradley Klapper, "Why US senators want tougher sanctions on Iran's new president", *The Christian Science Monitor*, 3 August 2013. The bill was criticised by Russia and China, while Iran called it "a wrong step at a wrong time". See Reuters, 1 and 2 August 2013; *The New York Times*, 1 August 2013. A puzzled Iranian official asked: "Is this how the Americans want to welcome the new Iranian president and his message of moderation?" Crisis Group interview, July 2013. Reacting to the new sanctions, Rouhani said, "unfortunately Americans pursue contradictory words and deeds, as they take orders from a warmongering pressure group, which is against constructive dialogue and works at the behest of another country [Israel], even to the detriment of U.S. national interests .... If anyone thinks through threats they can impose their will on the Iranian nation, they are making a huge mistake. This dual-track approach [pressure and persuasion] will not yield any result". See "The President's first press conference", *President.ir*, op. cit. In a letter to President Obama, 55 prominent Iranian political prisoners warned that new Congressional sanctions could become a conduit to war, give rise to a "senselessly extremist political current" and add "huge barriers to the resolution of the nuclear challenge". "Iran's political prisoners plead for Obama to end 'crippling' US sanctions", *The Guardian*, 8 August 2013.

<sup>83</sup> Warning that Iran was getting "closer and closer" to Israel's redline, Prime Minister Netanyahu said, "I have a sense there is no sense of urgency. All the problems that we have [in the region], however important, will be dwarfed by this messianic, apocalyptic, extreme regime that would have atomic bombs". He added that the U.S. "should ratchet up the sanctions and make it clear to Iran that they won't get away with it. And if sanctions don't work, and they have to know that you'll be prepared to take military action, that's the only thing that will get their attention". See Chemi Shalev, "Netanyahu: 'I won't wait until it's too late' to decide on Israeli attack on Iran", *Haaretz*, 15 July 2013.

If, as former British Foreign Secretary Jack Straw put it, it would be wrong both “to assume that nothing has changed [and] to assume that everything has changed”,<sup>84</sup> the next several months could be critical for testing whether under the new circumstances, negotiations can be productive. In order to do so, several considerations ought to be kept in mind.

First, as noted, now is not the time to ramp up sanctions. That could well backfire, playing into the hands of those in Tehran wishing to prove that Iran's policies have no impact on the West's attitude, and thus that a more flexible position is both unwarranted and unwise. As Abbas Maleki, former deputy foreign minister and an adviser at Rouhani's Centre for Strategic Research, said, “sanctions are Rouhani's Achilles heel. More pressure will be a godsend to hardliners, vindicating their anti-Western narrative while eliminating Rouhani's manoeuvring room”.<sup>85</sup> In contrast, recent U.S. steps to facilitate export of humanitarian goods, especially medical equipment, are doubly welcome, both eliminating needless punitive measures and projecting some good-will.<sup>86</sup>

Secondly, multilateral talks between Iran and the P5+1 – which themselves ought to be made more regular and sustained<sup>87</sup> – should be complemented by direct, confidential U.S.-Iranian bilateral meetings. There are indications Rouhani is interested in such an approach; at a minimum, he has shown himself open to engagement;<sup>88</sup> dismisses the view of the U.S. as a declining power; and deems it indispensable for any solution.<sup>89</sup> The Supreme Leader himself – while displaying habitual scepticism – has suggested openness to bilateral contact, as has the U.S. administration.<sup>90</sup>

<sup>84</sup> See “Iran's new leader offers hope for the region”, *The Telegraph*, 16 June 2013.

<sup>85</sup> Crisis Group email correspondence, Tehran, 17 July 2013.

<sup>86</sup> Although most medicine and medical devices are exempted from sanctions, broad financial restrictions in practice have neutralised these waivers, contributing to acute shortages in Iran. Seeking to address the problem, the U.S. Treasury Department issued several general licences. Critics maintain that these have been minimally effective. See Crisis Group Report, *Spider Web*, op. cit.; Jay Solomon, “U.S. eases bite of penalties against Iran”, *The Wall Street Journal*, 25 July 2013. Rouhani said, “these sanctions are unfounded .... They are about pressuring our people”. “The President's first press conference”, op. cit.

<sup>87</sup> See Crisis Group Middle East Briefing N°34, *The P5+1, Iran and the Perils of Nuclear Brinkmanship*, 15 June 2012; Crisis Group Report, *Spider Web*, op. cit.

<sup>88</sup> After his election, Rouhani said, “the U.S.-Iran relations are complicated and difficult. It is like an old wound; and we need to think about how to heal it. We do not want to see more tension.... [Talks] should be based on mutual respect and interests, and should be [held] on [an] equal footing”. Quoted in “Rouhani: First Presser”, op. cit. He also said, “[w]e should have [had] reduced tensions with the U.S. ten years ago. We are now at the brink of open hostility. We first have to deescalate and then move towards détente”. Quoted in “هشت سال سکوت و انتقادات را تحمل کردم” [“I bore eight years of silence and criticism”], Entekhab.ir, 30 May 2013. In his first press conference as president, he said, “provided that our national interests are met, we have no problems with negotiations with any nation that has good intentions, including the U.S.”. See “The President's first press conference”, President. ir, op. cit.

<sup>89</sup> Rouhani noted: “Although the U.S. is facing challenges with regards to its position in the global power structure, it is likely to maintain its hegemonic status for the foreseeable future”. “برنامه دولت تدبیر و امید” [“The Government of Prudence and Hope's Program”], available at [freezepage.com/1374762917/MHACOVKBJP](http://freezepage.com/1374762917/MHACOVKBJP). “The Europeans could not give Iran security guarantees, which was impossible without the U.S. Neither was expanding trade, economic ties, and technology transfer [possible] without American consent”. *National Security and Nuclear Diplomacy*, op. cit., p. 320.

<sup>90</sup> In March 2013, Ayatollah Khamenei said, “I'm not optimistic about these talks, but I'm not opposed to them either”. See “Iran says it's not opposed to direct talks with US”, Associated Press, 21 March 2013. Reiterating this point after the election, Khamenei added: “If [the U.S. and EU] put aside their stubbornness, resolving the nuclear issue would be simple”. Quoted in “Iran's Khamenei



Thirdly, at a substantive level, some changes to the present approach should be considered as a means of testing the potential opportunity presented by Rouhani's election. This arguably should be feasible without the P5+1 having to cross its purported redlines. In addition to a slightly more attractive deal on the 20 per cent enriched uranium, such as the one proposed by Crisis Group,<sup>91</sup> the P5+1 could put forward a vision of the end-state.<sup>92</sup> The purpose would be to make clear the extent to which Iran could maintain and develop a civilian nuclear program, including a limited and intrusively monitored enrichment capability.<sup>93</sup> Defining such an end-state could potentially be a way to bridge the gap between the two sides: acknowledgment that Iran would continue to enrich uranium on its soil could be interpreted by Tehran as de facto recognition of its right to do so, though that "right" simultaneously would be defined to entail significant restrictions – eg, capping the level of purity (at 5 per cent); limiting the number of facilities to Natanz and Fordow; putting a ceiling on the number and type of centrifuges they contain at least for an agreed period of time; and instituting a rigorous monitoring system conducted by UN nuclear inspectors.

Fourthly and finally, to increase chances of success, the scope of discussions between the West (and notably the U.S.) and Iran ought to be widened. If, as many in the West maintain, Tehran is seeking to pursue a military nuclear program, its motivation surely has been grounded in security rather than economic concerns. Although the new Iranian administration might be prepared to make some concessions in order to obtain sanctions relief, in other words, it is unlikely to agree to a decisive shift as long as the regime believes it is in a vulnerable strategic position. As part of the recommended bilateral U.S.-Iranian track, regional security issues could be addressed; in the same spirit, and as Crisis Group has separately recommended, Tehran should be invited to any future international conference on Syria.<sup>94</sup>

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says nuclear talks easy if enemy not stubborn", Reuters, 26 June 2013. See "Statement by the Press Secretary on the Election in Iran", White House, 15 July 2013.

<sup>91</sup> Crisis Group suggested that Iran suspend its 20 per cent enrichment and convert its entire stockpile to fuel rods (which are less prone to proliferation); in return, the P5+1 would provide Iran with medical isotopes, freeze the imposition of any new sanctions, waive or suspend some existing sanctions for an initial period of 180 days (eg, the ban on the sale of precious and semi-finished metals to Iran or the prohibition on repatriating revenues from Iranian oil sales) and release some of Iran's frozen assets. To address the issue of Iran's bunkered facility in Fordow, Iran would refrain from installing advanced centrifuges at the site and, optimally, convert it into a research centre, while accepting enhanced safeguards such as in-house resident inspectors or live-stream remote camera surveillance; the P5+1, for its part, could suspend sanctions affecting Iran's petrochemical sector or halt pressure on Iran's remaining oil customers to significantly reduce their purchases of its petroleum. Crisis Group Report, *Spider Web*, op. cit.

<sup>92</sup> Crisis Group wrote: "... to further facilitate progress, both sides from the outset should clarify the broad principles governing the endgame: recognition in principle by the P5+1 of Iran's right to enrich uranium for peaceful purposes on its soil on the one hand; acceptance by Iran of legitimate international concerns regarding its nuclear program and agreement to steer clear of acquiring short-term breakout capability". Ibid.

<sup>93</sup> Robert Einhorn, a former senior member of the U.S. nuclear negotiating team, wrote: "It may be possible to combine the confidence building and comprehensive approaches. The two sides could try to work out a road map containing the general elements or principles of a phased, comprehensive deal, including an outline of the key elements of an Iranian civil nuclear program that would be permitted in an end-state". "Getting to 'Yes' with Iran", *Foreign Policy* (online), 10 July 2013.

<sup>94</sup> "Keeping Tehran out [of international talks on Syria] would be tantamount to denying the unmistakable fact of its involvement, not altering it". Crisis Group Middle East Report N°143, *Syria's Metastatising Conflicts*, 27 June 2013, p. 39. An Iranian official said, "an invitation to the Geneva conference will be helpful, as it would be seen by Tehran as tantamount to implicitly recognising Iran as a key regional player". Crisis Group interview, June 2013.

There is no reason to build up – and every reason to downplay – expectations of a rapid breakthrough. But opportunities for a new beginning in approaching the nuclear crisis have been few and far between. This is one neither side can afford to squander.

**Washington/Brussels, 13 August 2013**