



Iran after the nuclear deal

A struggle between change and status quo

Erika Holmquist

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Bild/Cover: (An Iranian worker paints a huge portrait of Iran's Supreme Leader Ayatollah Ali Khamenei on a wall near a university during Friday prayers in Tehran February 24, 2012. TT Nyhetsbyrå. REUTERS/Morteza Nikoubazl)

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Sammanfattning

I och med att det nukleära avtalet mellan Iran och P5+1 undertecknades sommaren 2015 väcktes i vissa läger förhoppningen om att avtalet ska leda till att Iran utvecklas i en mer moderat riktning. Det underliggande resonemanget är att den förbättrade iranska ekonomin som eventuellt följer kan gynna ett närmande mellan Iran och det internationella samfundet. Den här tolkningen läser troligen in mer i avtalet och sanktionslättnaderna än vad som är skäligt. Det är inte sannolikt att det nukleära avtalet blir en avgörande faktor i frågan om i vilken riktning Irans politiska system kommer att utvecklas. Det är inte heller särskilt sannolikt att avtalet får en avgörande påverkan på den iranska utrikespolitiken i ett kortare perspektiv. Den iranska politiska eliten har sedan revolutionen 1979 varit låst i en politisk maktkamp mellan reformvänliga och konservativa. De har varierande syn på Irans ekonomiska modell, vilken inställning Iran ska ha till omvärlden, och vilken den islamiska republikens källa till legitimitet egentligen är. Viktiga frågor som alla påverkar den iranska politiken gentemot omvärlden. Irans utveckling är i slutändan en fråga om vem som har makten, och i Iran är maktutövandet mycket komplext. Den politiska maktkampen och vilken del av eliten som för tillfället håller i ledarstaven avgör om Iran utvecklas i en mer moderat eller mer konservativ riktning. Syftet med denna rapport är att beskriva de olika inrikespolitiska fraktionerna i Iran och analysera hur maktkampen dem emellan har påverkat Irans politik sedan 1989 och framåt.

Nyckelord:

Iran, kärnavtal, iransk inrikespolitik, iransk utrikespolitik, Rouhani, Khamenei

Summary

With the finalization of the nuclear agreement between Iran and the P5+1 in the summer of 2015, the idea and in some parts, the hope that Iran is entering an era of moderation has emerged. Some believe that sanctions relief and the improvement of the Iranian economy that could follow the agreement, will create a more favourable political environment for improving Iran's relations with the international community. This vision might overstate the importance of the nuclear agreement and the lifting of sanctions. The nuclear agreement is not likely to be the deciding factor of whether Iran's political system develops in a moderate direction or not. It is also not likely to decisively change Iran's foreign policy outlook in the short term. Since the revolution in 1979 the Iranian political elite has been engaged in a tug-of-war between the hardliner and reformist camps. They have opposing views on Iran's economic model; what type of relationship Iran should have with the outside world; and ultimately on what the Islamic Republic's main source of legitimacy is, and thus where the political authority lies. Each of these factors influence Iranian policy vis-à-vis the world. Iranian moderation is ultimately a question of who is in power, and in Iran the wielding of political influence is a complex matter. This intra-elite tug-of-war and who is currently winning it determines if Iran is to move in a more moderate or conservative direction. The purpose of this report is to describe the different political factions in Iran and to analyse how the power struggle between them has affected Iranian policy since 1989.

Keywords:

Iran, nuclear agreement, Iranian domestic politics, Iranian foreign policy, Rouhani, Khamenei

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1 Introduction

Iran is a very influential power in the Middle East. With the second largest population and economy in the region Iran has great economic potential.¹ Iran is also an active foreign policy actor, and is currently involved in some of the Middle East's most important conflicts such as Syria, Iraq and Yemen. Neither of which will be solved without Iran's participation. Iranian domestic politics is not well understood in the West, but gaining deeper knowledge is necessary in order to tap the economic potential of Iran and resolve or manage conflicts in the region.

With the finalization of the nuclear agreement between Iran and the P5+1, a significant risk for military conflict over Iran's nuclear program has been averted. The question is where Iran will go from here, some supporters of the agreement hope that it will mean that Iran by way of renewed economic relations will become more susceptible to influences from the outside, and ultimately develop in a more moderate direction both domestically and in foreign policy. The election of Hassan Rouhani in 2013, and the apparent victory for reformists in the 2016 parliamentary elections boosts this optimistic take on developments. Finding a definite answer to whether or not Iran will develop in a moderate direction is not possible, but the ambition of this report is to look at Iran's past, and how domestic policy has influenced foreign policy in the hope of uncovering some clues for the future.

The Islamic Republic of Iran's political behaviour has on occasion been discarded as "irrational" by observers and politicians outside Iran, most recently in connection to the nuclear negotiations. Such statements, or the opposite, that Iran is a rational actor, often garner debates on what a rational actor is, or is not, and comments about what might be rational according to Iran's interests may not be perceived as such by others, and so on. One example is an interview that President Barack Obama did in 2015 where he, prompted by the interviewer's doubt that the anti-Semitic Iranian regime could be trusted to act rationally following the conclusion of the nuclear negotiations, said the following: "Well the fact that you are anti-Semitic, or racist, doesn't preclude you from being rational about the need to keep your economy afloat; it doesn't preclude you from making strategic decisions about how you stay in power..."² Soon after, another publication criticized Obama's comment and overall defence of the nuclear negotiations with Iran. The article asked where the political rationale was in (the previous President) Ahmadinejad's call to destroy Israel, (which likely had the negative effect of hastening the international community's decision to impose severe sanctions on

¹ The World Bank (2016), "Iran overview", October 1.

² Goldberg, Jeffrey (2015), "Look... It's My Name on This: Obama Defends the Iran Nuclear Deal", *The Atlantic*, May 21.

Iran), or what the economic rationale could be of Iran's hosting of holocaust denial conferences.³

This report does not aim to determine whether Iran acts rationally or irrationally, but rather to use that debate to illustrate that Iran's political behaviour is sometimes analysed in simplistic terms. Ahmadinejad's comments on Israel, as well as the hosting of the holocaust denial conference, are without doubt inflammatory, despicable and seemingly irrational to the outside observer. But those actions do not comprise a sufficient basis for drawing conclusions about the Iranian political sphere as a whole. The political elite of Iran is not monolithic. Since the revolution in 1979, the elite has been engaged in a power struggle that has accelerated with time. According to the scholar, Mehdi Moslem, revolutionary regimes such as China and Russia managed to stifle conflict between the revolutionaries once power was consolidated, and went on to create ideologically coherent states.⁴ But, in Iran, the post-revolutionary experience has been different.

The Iranian political elite often sends mixed signals, which likely contributes to the difficulties in understanding Iran's intentions and policies. The aftermath of the nuclear agreement is a case in point, where Iran's President Rouhani has made numerous statements to the effect that the agreement shall be the starting point of friendly relations and cooperation, while the Supreme Leader Khamenei⁵ continuously contradicts Rouhani by saying that the agreement will not lead to reconciliation with the West, nor the US. Mixed messages such as these are a product of dynamics within the domestic sphere of Iranian politics.

1.1 Purpose, method, sources and outline

The purpose of this report is to describe the different factions of Iranian politics, and to analyse how the competition for power between them has unfolded under four presidents, from 1989 until today. Hopefully this overview provides a deeper understanding of the political landscape in Iran. The argument here is that it is oftentimes impossible to make sense of Iranian foreign policy and rhetoric without understanding the complex workings of the domestic politics in Iran, and in particular the power struggle within the political elite. In order to better understand the direction of Iran after the nuclear deal this report addresses two research questions: What characterises the factions struggling for power in Iran? How has factional rivalry affected policy making since 1989?

³ Stephens, Bret (2015) "The Rational Ayatollah Hypothesis", *The Wall Street Journal*, May 25.

⁴ Moslem, Mehdi (2002), *Factional Politics in Post-Khomeini Iran*, (Syracuse University Press), p.3.

⁵ The Supreme Leader of Iran, Ayatollah Ali Khamenei is the most powerful authority in the Iranian political system.

The reason for beginning the description in 1989 is that the founder of the revolution Ayatollah Khomeini died that year, leaving Ayatollah Khamenei to succeed him as Iran's Supreme Leader. In that year the Iran-Iraq war ended and it was the starting point for a more peaceful era.

The study uses a qualitative descriptive approach and the analysis is based chiefly on secondary sources such as academic papers, media reports and books on Iranian factionalism by renowned Iran scholars Said Amir Arjomand, Wilfried Buchta and Mehdi Moslem, as well as primary sources in the form of speeches and statements by Iranian leaders. The next chapter describes the main political factions within the Iranian elite, and how they view four important issues; the Iranian political system; social freedom; the economy; and foreign policy. The third chapter describes how factional rivalry has affected policy making during the Iranian presidencies since Ayatollah Khamenei took over the position as Supreme Leader from Ayatollah Khomeini in 1989, until today. In the final section some conclusions will be provided.

2 Iran's political factions – a brief overview

Factionalism constitutes the basis of Iranian politics, therefore understanding the factions' ideological orientations and the power struggle between the factions is important when pondering Iran's future.⁶ Iran's political system is a hybrid between an authoritarian republic and a theocracy. The Supreme Leader wields a great deal of direct power. He can also exert a great deal of indirect power, through loyalists appointed to key positions throughout the system⁷. The nature of his position is, however, questioned by some factions within the elite.

The first thing one should point out when discussing political factions in Iran, and placing them on a scale from moderate to conservative, as is often done in attempts to make sense of them, is that those labels are fluid and relative to the Iranian context. The dictionary definition of moderation is “the avoidance of excess or extremes, especially in one's behaviour or political opinions”.⁸ This implies, with the risk of stating the obvious, that due to their very different political realities, an Iranian moderate is not the same as a Swedish or a European moderate. Iranian moderation in today's context does not concern western-style democratization, but rather cautious reform in some policy areas. For example modernisation of the economy, normalisation of Iran's trade and diplomatic relations with the outside world, and the easing of cultural restrictions. Neither of these examples are specific, as they have not yet been realized, but they mirror some of the more moderate as opposed to hardline ideas that exist within the Iranian elite.⁹

The second thing one should point out is that all the acknowledged political factions in Iran, and political representatives within them, are loyal to the current political system. A person who is not loyal, or simply perceived as wanting to change the system beyond what the Supreme Leader and his backers could accept, would be prevented from participating in politics.

Ayatollah Khamenei held a speech voicing that exact sentiment prior to the 2016 parliamentary elections. He said to an audience of officials that although everyone, supporters and opponents of the system alike, should vote in the elections, opponents of the system are not suited to serve as parliamentarians. He attempted to illustrate his point further by saying that even the US, supposedly the greatest democracy in the world, has a history of not allowing communists (who do not

⁶ Thaler, David *et al.* (2010), *Mullahs, Guards, and Bonyads An Exploration of Iranian Leadership Dynamics*, RAND, pp.37-8.

⁷ *Ibid.* p.24.

⁸ Oxford Dictionaries, “Moderation”, (Oxford University Press)

⁹ Bakhash, Shaul (2013), “Rouhani's surprising election”, Wilson Center, Viewpoints No.28.

believe in democracy) to participate in politics.¹⁰ But, Khamenei still encourages everyone to vote, because a high degree of participation in the elections validates the system. His contradictory statement highlights the difficulty of implementing change in Iran. Because of the Supreme Leader's very powerful position, reform is very hard to achieve unless he supports it.

Iran's political system can be described as "a composite of key personalities, their informal networks and relationships with other individuals and power centers (all of which converge over common interests in the form of political factions), and the institutions with which they are associated."¹¹ The scope of this report does not allow for analysing all these components in detail, but the important point here is to highlight that individuals play a big part in the system. The political elite does not organize in parties in the traditional Western sense of the word. In parliament, or the Majles (henceforth used interchangeably), the representatives form loose issue-based alliances. Nevertheless, there are significant ideological differences within the elite.

Here, we are satisfied with breaking the elite down into four political currents. The names of these currents vary, but borrowing from Mehdi Moslem we will call them *the traditional right; the left; the modern right; and the neo-fundamentalists*.¹² Two of the political currents, *the traditionalist right* and *the left*, are rooted in the Iranian revolution, and the other two, *the modern right* and *the neo-fundamentalists*, evolved after the revolution.

These four main factions are generally grouped into two political camps, where they are labelled reformists or hardliners according to their fundamental ideas of what the Islamic Republic of Iran is and should become. One scholar summarizes the two competing visions as "...one emphasizing the Islamic Revolution and a model of resistance and self-sufficiency, the other emphasizing the Islamic Republic and a model of normalcy and independent development..."¹³ Hardliners are sometimes called theocrats, and reformists called republicans, based on whether they believe that the emphasis of the system should be on the religious institutions or the republic.¹⁴

Although there are many topics one could use to indicate ideological differences, four of central importance have been chosen.¹⁵ First, there is the issue of how the

¹⁰ Khamenei, Ali (2016), "Iran will stay committed only as long as the other side will: Leader", Speech by Ayatollah Khamenei in a meeting with officials in charge of holding elections, January 20.

¹¹ Thaler, David et al., p.40.

¹² Moslem, pp.82-141.

¹³ Thaler et al., Summary XV.

¹⁴ The Canadian Security Intelligence Services (2016), "Between hope and fear a new Iran?", p.7.

¹⁵ Buchta, Wilfried (2000), *Who rules Iran? The structure of power in the Islamic Republic*, (the Washington Institute for Near East Policy and the Konrad Adenauer Stiftung) p.14.

factions view the political system (also known as the *velayat-e faqih*).¹⁶ The second issue is how they view social freedom. The third and fourth issues are how they view economic and foreign policy and thereby what kind of relationship Iran should have with the outside world.

2.1 The traditional right

The most famous personality belonging to the traditional right faction is Iran's former president and present Supreme Leader, Ayatollah Khamenei.¹⁷ When Khamenei became Ayatollah Khomeini's successor, in 1989, the traditional right gained the upper hand over the leftists, which at the time made up the other large political faction inside the tolerated Islamic revolutionary family. In today's Iran, the traditional right is the largest faction and occupies major positions of power throughout the political system. Popular support for this faction is mostly found amongst the lower middle class and the bazaar merchants.¹⁸

The governance structure of Iran contains religious as well as republican institutions, hence Iran's official name, the Islamic Republic of Iran. At present, the republican aspects of the system hold little influence. The dominant interpretation of the system, espoused by the traditional right, is that the religious aspects supersede the republican, and that the clergy's legitimacy to rule is divine. According to Twelver Shia doctrine, to which the majority of the Iranian population subscribes, the twelfth Imam, who went into hiding in the year 873, will someday return and rule the Shiites. The Supreme Leader (also called the *vali-ye faqih*) is the hidden Imam's representative on earth, until he comes out of hiding. Therefore supporters of this faction argue that the Supreme Leader, Ayatollah Khamenei, is the centre from which all power should emanate. In practice, this means that the Supreme Leader's authority supersedes the constitution and the sovereignty of the people.¹⁹ This notion requires that the people follow the Supreme Leader unquestioningly, even if his rulings are wrong. The rest of the clergy's task is to make sure that the administration, and society as a whole, remain Islamic, and behave according to Islamic principles.²⁰ Behaviour or ideas deemed un-Islamic are not tolerated. It should be noted here that the idea of the *velayat-e faqih* was Khomeini's creation.²¹ There are many Shiite clerics who do not support this form of governance, or even that the clergy should be involved in politics at

¹⁶ Velayat-e faqih is defined in the Oxford Dictionary of Islam as "Rule or guardianship by a jurist", and here refers to the politico-religious system that has ruled Iran since the revolution in 1979.

¹⁷ Buchta, p.13.

¹⁸ Thaler et al., p.68.

¹⁹ Ibid. p.14.

²⁰ Moslem, p.99-103.

²¹ Khomeini, Ruhollah (1981), *Islam and Revolution*, Translated by Hamid Algar, Mizan Press, Berkeley, Contemporary Islamic Thought, Persian Series, p.55.

all, but those have been continuously side-lined since the revolution, first under Khomeini and subsequently under Khamenei.²²

The traditional right faction's view on social freedoms is quite strict. They prefer to keep influences from the outside world to a minimum in order to avoid the spread of "loose" Western morals. They emphasize piety and adherence to Islamic tradition, so, for example, Islamic dress must be observed and the role of women in society limited. The maintenance of traditional gender roles is encouraged.²³

When it comes to economic policy, this faction emphasizes autarky and domestic production. Ayatollah Khamenei often mentions the concept of the "resistance economy" in his speeches, which stems from an idea that Iran must diversify its economy with as little reliance on outsiders as possible. This faction's emphasis on self-sufficiency may perhaps be more of a slogan than real policy; a quick glance at statistics confirms that Iran is highly dependent on imports, and the value of imported goods reached an all-time high during the Ahmadinejad administration (which was supported by the traditional right), at 75,458 million USD in 2008. In 2015, the figure was considerably lower, at 12,510 million USD.²⁴ The inability to deal with corruption has also hampered domestic production.

The traditional right supports private property ownership and entrepreneurship. They envision a free market system with low taxation and little interference by the state.²⁵ The idea is that such a system will stimulate the *bazaari* (merchant) economy, which in turn will benefit the clergy because people will have more money in their pockets to donate to religious institutions.²⁶ This is important as the traditional right have a relaxed attitude towards poverty. This faction believes that socio-economic injustices cannot be wholly eradicated (since they are God's creation), but they can be alleviated through a mix of charities and different forms of state support.

The view on foreign policy has generally contained scepticism on the issue of reconciliation with the US, but although the faction often criticizes the United States and the West, it has seldom supported direct confrontation.²⁷

²² Khalaji, Mehdi (2015), "Politics and the Clergy", *The Iran Primer*, United States Institute of Peace.

²³ Moslem, pp.108-109.

²⁴ Iran Balance of Trade, tradingeconomics.com.

²⁵ Buchta, p.15.

²⁶ Moslem, pp.105-106.

²⁷ Ibid., p.110.

2.2 The neo-fundamentalists

A famous personality from the neo-fundamentalist faction is Ayatollah Mohammad-Taqi Mesbah-Yazdi, the ultra-conservative spiritual guide of the former president of Iran, Mahmoud Ahmadinejad (president from 2005-2013). One reason why scholars classify Mesbah-Yazdi as an ultra-hardliner is his open support for the use of violence in the name of Islam.²⁸ Therefore it is probably not a coincidence that this faction garners a great deal of support from members of fundamentalist organizations like the *Basij* (Iran's volunteer para-military force and part of the Islamic Revolutionary Guard Corps' land force), and the *Ansar-e Hezbollah*,²⁹ who at times take it upon themselves to violently enforce their version of good Islamic behaviour on society. Generally this faction finds support amongst the very religious and the poor, both in the cities and in the countryside.³⁰

The neo-fundamentalist current contains radical members from both the left faction (described in the next section) and the right, and emerged as a reaction to what they perceive as the increasing threat of Western cultural influence in Iran.³¹ Their primary concern is to protect the revolution. For that reason they are sometimes called *principlists*; they advocate complete adherence to (what their faction perceives to be) the original principles of the revolution.³² Others would disagree with their interpretation of what the original principles were. However, all of those who identify as *principlists* do not belong to the neo-fundamentalist current; some are closer to the traditional right, which illustrates the complexity of trying to pigeon-hole political actors in Iran. The neo-fundamentalists typically contrast themselves with the left and the modern right, whose policies they accuse of bringing about Westernization and moral decay in Iran.

Like the traditional right, the neo-fundamentalist current shares the idea that the *vali-ye faqih's* leadership is sanctioned by God, and that the Supreme Leader's authority therefore can never be questioned.³³ This in essence allows the Supreme Leader to make any decision he wants, and the benefits of that extend to his loyalists. Some members of this faction take it even further and would like to see a purely Islamic system without the republican institutions, which they believe are Western inventions.³⁴ In their view, the idea of democracy is incompatible with Islam. It follows that this faction's outlook on social and cultural freedoms is very conservative, particularly regarding the role of women in society. They promote

²⁸ Arjomand, Said Amir (2009), *After Khomeini - Iran under his successors*, Oxford University Press, p.162.

²⁹ Moslem, p.140.

³⁰ Thaler et al., p.70.

³¹ Moslem, p.134.

³² Arjomand, p.152.

³³ Moslem, p. 136.

³⁴ Kazemzadeh, Masoud (2008), "Intra-Elite factionalism and the 2004 Majles Elections in Iran", *Middle Eastern Studies*, 44:2, 189-214, p.197.

the Islamization of all societal aspects. Redistribution of wealth to the poor is an important part of their economic policies, or that is what they claim, at least.³⁵ Reduction of poverty and corruption were important slogans that helped elect Ahmadinejad, but neither condition declined much during his presidencies.³⁶ He frequently tried to evoke support for himself through populist actions, for example by paying cash subsidies (the value of which were eroded by inflation) to low-income families or handing out potatoes on his visits to the countryside.³⁷

In foreign policy, the neo-fundamentalist faction espouses deep anti-Americanism, and is generally more confrontational than the other factions. Again, Ahmadinejad's actions are an excellent example, some of which are described in the next chapter.

2.3 The left

Three famous personalities from the left faction are Mehdi Karroubi and Seyyed Mir-Hossein Mousavi, the leaders of the Green movement, and Seyyed Mohammad Khatami. These politicians have all held important offices within the political sphere; Mousavi was Prime Minister from 1981 to 1989, Karroubi was Speaker in the Parliament from 2000 to 2004, and Khatami served as Iran's president from 1997 to 2005. They have also all been side-lined politically, Karroubi and Mousavi, most drastically, since they were placed in house arrest in 2011 for their roles in the Green movement formed during the 2009 presidential election protests. Five years on, no trial has been held. The Iranian media has supposedly been banned from even mentioning Khatami's name, and he has more or less been forced to withdraw from politics.³⁸ These circumstances are the product of the power struggle within the Iranian political elite that has been going on since Khomeini's death. How this power struggle has unfolded over time is described in the next section.

The left has gone from being quite radical at the outset of the revolution to becoming more pragmatic and moderate in its views.³⁹ Nowadays, this faction mainly finds support amongst intellectuals and students.⁴⁰ It differs significantly from the traditional right on most of the above-determined issues. The left believes that the emphasis of the political system in Iran should be placed on the republican

³⁵ Thaler et al., p.71.

³⁶ Habibi, Nader (2013), "The Economic Legacy of Mahmoud Ahmadinejad", Middle East Brief No.74, Brandeis University.

³⁷ Fathi, Nazila, (2009), "Support for Moderate a Challenge to Iran's Leader", *The New York Times*, May 25.

³⁸ Kamali Dehghan, Saeed (2015), "Iranian media banned from mentioning former president Mohammad Khatami", *The Guardian*, February 17.

³⁹ Buchta, p.17

⁴⁰ Thaler et al., p.69.

institutions, not the religious. The *vali-ye faqih*'s source of legitimacy is derived *both* from God and the Iranian people. Thus, in contrast to the views of the traditional right and the neo-fundamentalists, the *vali-ye faqih*'s authority does not supersede the constitution nor the sovereignty of the people. This means that the left neither believes that the Supreme Leader's power should be absolute, nor that his rulings should be followed no matter what. The Supreme Leader is indirectly appointed by the people (through the Assembly of Experts), and can therefore also be removed. This has not always been the left's position. During the early days after the revolution, when Khomeini was Supreme Leader, the left was his favoured faction. At that time, the left also supported the supremacy of the religious over the republican institutions. Coincidence or not, when Khamenei succeeded Khomeini and openly favoured the left's political opponents, the left changed its stance.⁴¹

This is not the only change that has occurred in leftist policy. The faction is, nowadays, much more lenient on social freedoms, and its members believe that Islamic principles can and should be adapted to modern times. On the role of women they take a progressive stance believing that women should not be prevented from taking active part in society.⁴² Leftists encourage freedom of thought, arguing that differing opinions will lead to the development of society and Islam.⁴³ This diverges greatly from many fundamentalist Islamic schools that take the position that Islam and Islamic society, as described through the prophet, are perfect and should not be tampered with.

The leftist label becomes particularly understandable in light of the faction's views on economic policy. The private sector should remain subordinate to the public sector. The struggle against social injustice and abolishment of class is a priority, and should be aided by the state through the redistribution of wealth. Nationalization of important resources and public goods is promoted.

On foreign policy, the left has historically been one of the more radical factions, endorsing strict anti-Americanism and export of the revolution, i.e. the policy of actively spreading the revolution beyond Iran's borders. For example, the Iranian revolutionary guards went to Lebanon in 1982 and founded Hezbollah, under the banner of spreading the revolution.⁴⁴ The left has, however, become more moderate in its foreign policy outlook and is now a proponent of reconciliation with the United States.⁴⁵

⁴¹ Moslem, p.37.

⁴² Ibid. p.123.

⁴³ Ibid. p.120.

⁴⁴ Arjomand, p.134.

⁴⁵ Buchta, p.14.

2.4 The modern right

Two famous personalities from the modern right faction are Iran's current president, Hassan Rouhani, and the former president, Ali Akbar Hashemi Rafsanjani (held office from 1989-1997). Rafsanjani is the front figure of this political current, which was formed when Rafsanjani broke with the traditional right, during his presidency in the 1990's.⁴⁶ The modern right is thus called modern to contrast with the traditional or conservative right, which Khamenei belongs to. The modern right finds support amongst the bazaari, students, technocrats and the urban middle class.⁴⁷

The modern right's view of the *velayat-e faqih* is similar to that of the Islamic left, and therefore emphasizes the republican element of Iran's political system over the religious. The *vali-ye faqih* is subordinate to the constitution. They support pluralism within the political system, and believe that popular participation is a fundamental source of legitimacy.⁴⁸

When it comes to social and cultural issues, the modern right is more liberal than the traditional right. They promote freedom of expression, believe that female participation in the public sphere is a "fundamental principle of the Islamic Republic," and believe that a vibrant civil society will enrich the political system.⁴⁹

The ultimate goal of this faction is to usher the Iranian state into modernity.⁵⁰ This shall be done through the reformation of Iran's economic system. The modern right departs from the conservative right by wanting to exchange the traditional merchant economy for a modern industrial-based free market economy. They believe that the government should play a more active role in shaping economic conditions, and want Iran to integrate with the global economic system.⁵¹ Therefore they advocate a higher degree of taxation, and emphasize the importance of meritocratic appointments for government positions. For this reason, this faction is sometimes labelled technocrats. Also in contrast to the traditional right, this faction believes that government should play a more active role in the redistribution of wealth, and that socio-economic injustices should be assuaged in a systematic fashion.⁵² Due to their wish for Iran to take part in the global economy, this faction advocates openness towards the outside world rather than isolation, and supports reconciliation with the United States.⁵³

⁴⁶ Moslem, p.128.

⁴⁷ Thaler et al., p.70.

⁴⁸ Moslem, p.131.

⁴⁹ Ibid., p.132.

⁵⁰ Buchta, p.16.

⁵¹ Moslem, p.128.

⁵² Ibid., pp.130-31.

⁵³ Buchta, p.14.

2.5 Summary of the factions' different views

To summarize, the traditional right and the neo-fundamentalists make up what outside observers like to call Iran's hardliner camp, and the modern right and the left are grouped into the reformist camp. This is a considerable oversimplification, but is nevertheless helpful in signalling that significant differences of opinion are housed within the political elite.

The traditional right and the neo-fundamentalists are much stricter on socio-cultural issues than the modern right and the left. The left and the modern right would like to see moderation in regard to Iran's relations with the West, while the traditional right is sceptical of this idea and the neo-fundamentalist faction is opposed. On economic issues, both the traditional right and the modern right want Iran to have a free market economy, but while the former emphasizes the resistance economy, the latter emphasizes the need for Iran to be reintegrated in the global economic system. The left favours a more state-centric economic model, but still acknowledges that foreign investment is necessary; the neo-fundamentalists do not seem to have a fixed economic agenda, but have supported economic reforms with populist appeal rather than economic viability. The final significant difference is how the factions view the *velayat-e faqih*; the hardliners, in opposition to the reformists, believe that the Supreme Leader's authority is superior to the constitution and basically cannot be held accountable.

3 The power struggle between hardliners and reformists 1989-2016

The Supreme Leader is the most powerful function within the Islamic Republic.⁵⁴ One of his most important trump cards is his authority to appoint the members of several of the religious institutions within the political system. One example is the Guardian Council, which is tasked with overseeing parliamentary legislation, and vetting candidates for both the parliament and the presidency. Khamenei appoints half of the Guardian Council's members directly, and the other half indirectly via the judiciary. The Guardian Council's influence is great. If a bill is viewed as un-Islamic or incompatible with the constitution, the Guardian Council can veto it. The same goes for candidates, who can be disqualified under the same type of criteria.⁵⁵

Since Khamenei became the Supreme Leader, members of his faction have dominated the unelected institutions to a large extent. Therefore the traditional right and the neo-fundamentalist factions' interpretation of the *velayat-e faqih* is the reigning one. It maintains the superiority of the religious unelected institutions over the elected republican institutions. It is very difficult, not to say impossible, for the reformist camp to change this reality; it would likely require a reformist Supreme Leader. In cases where there are differences of opinion, the superiority of the religious institutions always encroaches on the ability of the republican institutions to deliver the policies that the electorate asks for. This illuminates the fact that Iran is not a democracy, despite its popular elections.

It is not surprising that this unorthodox setup creates tension between the President's office and the Supreme Leader. According to Shaul Bakhash, "so far, the leader has emerged the dominant authority in these confrontations."⁵⁶ The President may be the second most powerful function within the system, but he has to be a skilled diplomat to negotiate support for his policies, or he might be sidelined. Since Khamenei took over as Supreme Leader, all the other factions (the modern right, the left and the neo-fundamentalists) have had the opportunity to run the Presidential office, which likely is a result of the Supreme Leader's need to balance the factions against each other. As the following overview shows, all Presidents since 1989 (although Rouhani might be too recent to judge) have more or less failed to achieve what they have promised the electorate, and all have in some way succumbed to the pressure of their political rivals. Balancing the factions, or alternatively put, playing them against each other, makes sure that no

⁵⁴ Thaler et al., p.24.

⁵⁵ Ibid., p.24.

⁵⁶ Bakhash, Shaul (2015), "The Seven Presidents", *The Iran Primer*, United States Institute of Peace.

faction becomes dominant enough to challenge the Supreme Leader, and the rivalry also maintains the need for him to play the role of the ultimate arbiter.⁵⁷

Foreign policy is used as a tool in the inter-factional struggle.⁵⁸ After Khomeini's death, "Iran's ruling elites were not able to reach a consensus regarding either Iran's role in the world or the best approach to strategic and foreign policies."⁵⁹ These issues remain unresolved. The key foreign policy division among the factions is between those who believe that Iran must develop into a normal state, which requires normal relations with the world, and those who believe that Iran is a revolutionary state that must defend Islamic interests beyond Iran through its foreign policies.⁶⁰ Therefore, Iran's foreign policy has fluctuated between radicalism and pragmatism since the end of the Iran-Iraq war.

3.1 Ali Akbar Hashemi Rafsanjani (1989-1993 and 1993-1997)

Ali Akbar Hashemi Rafsanjani's election, in 1989, became the starting point of a more pragmatic policy at home as well as abroad. He embarked on an era of reconstructing the Iranian economy. He believed that in order to achieve his economic goals, Iran would need a more pragmatic approach towards the outside world. During his time at the presidential helm, he improved relations with Saudi Arabia, and made several overtures to the US government in an attempt at rapprochement. These were ignored.⁶¹ The idea of exporting the revolution was reinterpreted to mean establishing Iran as a model of development and Islamic morals for the world to take after.⁶² However, it was less his foreign policy than his domestic policy that caused tensions within the Iranian elite. Initially, the traditional right and Rafsanjani's modern right shared an objective of de-revolutionizing Iranian policy and institutions. But when it became apparent that his pragmatic approach extended also to socio-cultural issues, and that his economic policies (which in part meant higher taxes) would encroach on their economic interests, the traditional right severed the ties with the modern right.

Foreign policy was, however, a good platform from which to criticize Rafsanjani. During that period, the traditional right continuously upheld a confrontational anti-American rhetoric, but rather than being aimed at the outside world it was intended for internal consumption. The main purpose was to weaken Rafsanjani, by showing that he was deviating from the important revolutionary principle of

⁵⁷ Thaler et al., p.47.

⁵⁸ Ibid., p.77.

⁵⁹ Ibid., p.16.

⁶⁰ Ibid., p.79.

⁶¹ Arjomand, p.143.

⁶² Ibid., p.136.

resisting the US-led world order. At the time, this was also the radical left's chief critique of his policies. Thus Rafsanjani's political adversaries mobilized in parliament to counteract his, in their view, too liberal ideas.⁶³ But ultimately it was not just parliamentary obstruction that caused Rafsanjani's failure to fully realize his vision. Fearing Rafsanjani's influence and the growing power of the presidency, the Supreme Leader also distanced himself from his long-time ally.⁶⁴

The left faction had become more moderate by the end of Rafsanjani's second presidency and their views were closer to those of the modern right. This marked the beginning of the formation of the reformist and hardliner camps within the Iranian political system, with Rafsanjani's modern right and the de-radicalized left in the reformist camp, and Khamenei's traditional right and the neo-fundamentalists in the other. In the parliamentary elections of 1996, the Guardian Council, in what appeared to be an attempt to regulate the outcome in the conservative camp's favour, disqualified many reformists, and later annulled the election results of 16 districts.⁶⁵ That the conservatives used their sway over the Guardian Council to affect elections in this way has since become a recognizable pattern.

3.2 Seyyed Mohammad Khatami (1997-2001 and 2001-2005)

Rafsanjani's second presidency was followed by that of a pragmatist from the leftist faction, Mohammad Khatami, who took office in 1997. He had previously served as minister of culture and Islamic guidance under Rafsanjani, but was forced to resign by the hardliner dominated parliament, who perceived his policies as being too liberal. The Iranian people judged him differently, as he was elected president with 70 per cent of the votes the first time, and 77 per cent the second time.⁶⁶ Khatami's two presidencies were fraught with tensions, as the struggle between the reform movement and the theocratic status quo proponents led by Khamenei really came to the fore.

Khatami made notable efforts in the foreign policy arena, where he tried to engage the US and the outside world through his "dialogue among civilizations," which was a response to Samuel Huntington's idea of a clash of civilizations.⁶⁷ Khatami's simple argument was that dialogue, not war, should be promoted between the West and the Muslim world.⁶⁸ During Khatami's presidencies, there were in fact several

⁶³ Moslem, p.198.

⁶⁴ Ibid., p.201, Arjomand,,p.65.

⁶⁵ Moslem, p.238 and p.240.

⁶⁶ Arjomand, p.92.

⁶⁷ Huntington, Samuel P. (1993) "The clash of civilizations?", *Foreign Affairs*.

⁶⁸ Iranian Diplomacy, (2010), "Khatami speaks of Dialogue among civilizations", October 2.

opportunities for reconciliation between Iran and the US, but the Iranian and American administrations never managed to be susceptible to the idea simultaneously.⁶⁹ Prospects for better relations soured completely after the events of 9/11 took place in 2001, which led to a US military presence in Afghanistan on Iran's eastern border. In 2002, it was discovered that Iran had several undeclared sites in operation in its nuclear program. Iran, afraid of provoking a US already on edge, supposedly decided to close down the weapons part of the program.⁷⁰

Khatami toned down Iran's previously hostile rhetoric towards Israel. He also attempted to forge a closer relationship with Saudi Arabia, and the two countries even signed a security agreement in 2001. With the US-induced fall of Saddam Hussein in 2003, the regional balance of power shifted slightly in Iran's favour as an arch-enemy was removed and a Shia majority government took over the reins in Baghdad. Relations with Saudi Arabia have since gradually worsened.⁷¹

Although Khatami had a strong popular mandate, which should be an indication that Iranian voters were attracted to his emphasis on rule of law, democratization and greater socio-cultural leniency, he met with fierce resistance from Khamenei and the hardliner groups quite early on. Since the hardliners controlled superior institutions such as the Guardian Council, and the judiciary, they were able to make it very difficult for Khatami and the reformist parliament to legislate as well as enforce legislation.⁷² The critique against him was in essence the same as it had been when he was minister of culture and Islamic guidance. He was too progressive on socio-cultural matters, and he also threatened the political order with his questioning of the hardliners' interpretation of the *velayat-e faqih*.⁷³ He also suggested that "all officials of the regime should be held accountable for their actions."⁷⁴ The meaning of that was that no official, including the Supreme Leader, is above the constitution.

The conservatives accused Khatami's reform ideas of Westernizing Iran. He attempted to implement reforms that would strengthen the republican aspects of the political system over the religious. This entailed attempting to weaken the hardliners' influence over the religious institutions. During Khatami's years as president, many incidents of political violence occurred, carried out by fundamentalist groups. The hardliners launched counter-offensives against Khatami and succeeded through their influence over the judiciary in closing down, for example, most reformist newspapers by the end of his presidency. Khatami was perceived as being unable to deliver on his promises, and his political standing subsequently weakened. In 2004, the hardliners succeeded in taking over the

⁶⁹ Arjomand, p.146.

⁷⁰ Thaler et al., p.94.

⁷¹ BBC (2001), "Landmark Iran-Saudi security deal", April 18.

⁷² Arjomand, p.94.

⁷³ Moslem, p.246.

⁷⁴ Ibid., p.255.

majority mandate in parliament, and pushed through a bill to restart uranium enrichment.⁷⁵

3.3 Mahmoud Ahmadinejad (2005-2009 and 2009-2013)

The election of Ahmadinejad, in 2005, at first looked very much like the hardliners' victory over the reformists. Hardliners already dominated the parliament, and with Ahmadinejad at the head of government, they would not have to worry about less restrictive socio-cultural policies or any disturbing debates on the *velayat-e faqih*. Ahmadinejad was one of their own, a devout follower of Khamenei and member of the neo-fundamentalist faction of Iranian politics. Ahmadinejad's arrival on the presidential scene was very much enabled by his attention to the poorer strata of Iranian society. He employed a populist style of rhetoric, and often portrayed himself as a simple working man, which appealed to many Iranians.

He came to power much thanks to his connections in the military institutions, which helped to rally popular support for his candidacy.⁷⁶ Members in related organizations, such as the Basij and the IRGC, had begun to play larger roles in politics in the early 2000s, as they mobilized in opposition to the reformists in both the municipal and parliamentary elections during the latter part of the Khatami administration.⁷⁷ The IRGC's economic influence in society was already great; it had begun to rise earlier, under Rafsanjani, who after the end of the Iran-Iraq war wished that the IRGC would turn its energy towards the reconstruction effort. But during Ahmadinejad's presidencies, the IRGC's involvement in both politics and the economy rose to unprecedented heights. There were several reasons for that, one being that Ahmadinejad appointed a record number of IRGC members to cabinet positions and high level positions in state-owned enterprises, and banks. Another reason is that IRGC-owned enterprises were the preferred recipients of government contracts.⁷⁸

During Ahmadinejad's presidencies, Iranian foreign policy veered out from the sphere of pragmatism and entered the radical. It became an era of confrontation and populism, both at home and abroad. Ignoring international sanctions, the nuclear program was moved forward.⁷⁹ Ahmadinejad denounced the viability of a two-state solution to the Israeli-Palestinian conflict,⁸⁰ and launched a number of

⁷⁵ Arjomand, p.200.

⁷⁶ Ibid., p.151.

⁷⁷ Thaler et al., p.58.

⁷⁸ Habibi, Nader (2013), 'The Economic Legacy of Mahmoud Ahmadinejad,' Middle East Brief No.74, June 2013, Brandeis University, p.6.

⁷⁹ Bakhash, Shaul (2015), 'The Seven Presidents', *The Iran Primer*.

⁸⁰ Arjomand, p.196.

astonishing initiatives that angered many administrations around the world. He asked Germany to align with Iran in the resistance against the winners of World War II.⁸¹ He intensified rhetoric against the US and Israel, and denied the Holocaust. According to one scholar, denying the Holocaust was a move intended to “change the stage of political confrontation,” and relieve some pressure from the nuclear issue.⁸² If true, that plan backfired, as Israel and other countries thereafter interpreted Iran’s nuclear program as being aimed at destroying Israel.⁸³ The risk of Israeli airstrikes on Iranian nuclear sites appeared to increase drastically during his administration.

During his second term, the US, the European Union (EU) and the United Nations Security Council (UNSC) imposed on Iran the most severe sanctions to date. Ahmadinejad’s defiance regarding the nuclear program played an important domestic role. His emphasis on Iran’s nuclear rights harnessed Iranian disdain for foreign intervention, and made the nuclear issue a question of national pride, rewarding his government with popular goodwill. It also “allowed the government to paint its reformist and pragmatic conservative critics as working against the interests of the Islamic Republic.”⁸⁴

Alongside the development of a nuclear program, relations with the Gulf countries, and Saudi Arabia in particular, deteriorated under Ahmadinejad as the Arab Spring unfolded. Iran tried in all instances to frame the events as a popular “Islamic awakening,” echoing the Iranian revolution, except for in Syria, which instead was described as a case of terrorists’ trying to uproot a legitimate regime.⁸⁵ Saudi Arabia, which wanted to maintain the regional status quo, tried to counteract developments by propping up threatened regimes such as Egypt’s and Bahrain’s.⁸⁶ Instead of offering support to the Syrian regime, however, Saudi Arabia became involved with the opposition, which ultimately pitted Iran and Saudi Arabia against each other in a very obvious manner. From the Saudi horizon the Arab Spring seemed to be working in Iran’s favour, as popular uprisings with Islamist connotations eventually managed to oust long-time rulers like Egypt’s Mubarak or Libya’s Ghaddafi.

In the domestic context, Ahmadinejad’s two presidencies did not prove very advantageous for the hardliners. The nepotism and mismanagement of the

⁸¹ Ibid., p.157.

⁸² Haji-Yousefi, Amir M. (2010), “Iran’s Foreign Policy during Ahmadinejad: From Confrontation to Accommodation”, Shahid Beheshti University, p.12.

⁸³ Ibid., p.12.

⁸⁴ Thaler et al., p.96.

⁸⁵ Mohseni, Payam (2013), “The Islamic Awakening: Iran’s Grand Narrative of the Arab Uprisings”, Middle East Brief No. 71, Brandeis University.

⁸⁶ Kamrava, Mehran (2012), “The Arab Spring and the Saudi-Led Counterrevolution”, Georgetown University’s School of Foreign Service.

economy that became trademarks of Ahmadinejad's government⁸⁷ drew a popular counter-reaction. The 2009 presidential elections, and its perceived (or real) rigging⁸⁸ in Ahmadinejad's favour gave birth to the largest popular protests against the regime since the revolution. Not only Ahmadinejad, but also the system itself, were threatened, which is likely why the regime answered with severe violence. The hardliners' narrative was that foreign agents had engineered the events,⁸⁹ including the violent response by plain-clothed paramilitaries (*lebas shakhsi*) that killed dozens of demonstrators.⁹⁰

During Ahmadinejad's second presidency, he attempted to challenge the leader's authority on a number of occasions, which finally led the Supreme Leader to revoke his support. By this time, the nuclear program and the subsequent sanctions were making life difficult for ordinary Iranians, and tensions with the outside world were running high. In the end, Ahmadinejad's economic policies had failed to deliver the promised reduction in poverty, and contrary to his proclaimed goal, popular perception of corruption within the public institutions soared.⁹¹ All of this paved the way for a return to pragmatism.

3.4 Hassan Rouhani (2013-2017)

Hassan Rouhani, who to most observers' surprise was elected president of Iran in 2013, belongs to the part of the Iranian elite that believes Iran should focus on being a state rather than a revolution.⁹² This, as previously mentioned, entails having a functional and non-confrontational relationship with the outside world. Rouhani's election meant a victory for the modern right/left alliance, and for those who favour pragmatism over radicalism. He is also less of a polarizing figure than Ahmadinejad or Khatami. He has supporters within the conservative as well as the reformist camps.⁹³ Rouhani's election has also meant a technocratic cabinet, in lieu of the friendship-based one that Ahmadinejad had put in place. In contrast with his predecessor, Rouhani has highlighted the goals of achieving the removal

⁸⁷ Avaei, Kourosh (2013), "Iran still digging out of Ahmadinejad-era corruption", *Almonitor*, December 21, 2013.

⁸⁸ Shahid-Saless, Shahir (2014), "Remember Iran's Green Movement?", *Almonitor*, March 31, 2014

⁸⁹ Mohseni, Payam (2013), "The Islamic Awakening: Iran's Grand Narrative of the Arab Uprisings", Middle East Brief No. 71, Brandeis University.

⁹⁰ Esfandiari, Golnaz (2010), "Iran State TV Suggests Neda's Iconic Death Was 'Faked'", *RFERL*, January 7; CNN (2009), "Iranian envoy: CIA involved in Neda's shooting?", June 25.

⁹¹ Comparing Transparency International's Corruption Perceptions Index for 2005 when Ahmadinejad became President (88/168), with when he left office in 2013 (144/168) gives an indication. Transparency.org

⁹² Thaler et al., p.79.

⁹³ Faghihi, Rohollah, (2016), "Iranian conservatives may be forced to embrace Rouhani", *Almonitor*, June 22.

of sanctions, improving the Iranian economy and engaging the international community.

Rouhani's election was a significant piece of the puzzle in reaching a solution to the nuclear issue. Negotiations between Iran and the P5+1 under the Ahmadinejad administration were at times, in the words of French Foreign Minister Laurent Fabius, like engaging in a "dialogue with the deaf."⁹⁴ Rouhani's previous merits, of heading Iran's Supreme National Security Council, a body that convenes all foreign and defence policy powerholders within the political system, and as head negotiator of the nuclear dossier under Khatami, made him a suitable person for reinvigorating Iran's negotiations with the P5+1. The support of Ayatollah Khamenei during this process was crucial; without it, success would have been impossible.

Although the factions were able to drum up unity in order to achieve the removal of sanctions, Rouhani's other goals are likely to feed the elite power struggle. Anti-Americanism has been a defining paradigm of Iranian foreign policy since the revolution, but the issue of reconciliation with the United States has surfaced, following the negotiations. This has prompted Khamenei to underline that the agreement will not affect Iran's foreign policy in any way, while Rouhani has expressed that it will be a starting point for friendly relations and cooperation. Since implementation day, Khamenei's rhetoric towards the US has grown increasingly acerbic; he often says that the US is deceitful and not trustworthy. In one speech, he claimed that the JCPOA has not contributed to alleviating threats towards Iran, and instead he highlighted Iran's military capabilities as the reason for remaining stable in an increasingly unstable neighbourhood.⁹⁵

This kind of talk is not surprising considering Khamenei's task of balancing between the factions. The harsh rhetoric towards the US is intended to satisfy the staunchest US opponents within the Iranian elite, and also serves the purpose "to perpetuate the perception of an imminent external threat aimed at overthrowing the Islamic Republic and its institutions."⁹⁶ The existence of such a threat is, for some stakeholders like the IRGC, of significant economic value, as it justifies Iran's domestic defence industry,⁹⁷ and the IRGC's entire existence, for that matter. The Rouhani government has had some public disagreements with the

⁹⁴ Fabius, Laurent (2016), "Inside the Iran Deal: a French Perspective", *The Washington Quarterly*, 39:3, p.8.

⁹⁵ Fars News, (2016), "Ayatollah Khamenei: Iran's Pessimism towards US Derives from Washington's Animosity", October 19.

⁹⁶ The Canadian Security Intelligence Services, p.132.

⁹⁷ Ibid. p.133.

IRGC on its role in the economy and the nuclear issue,⁹⁸ but appears to support the IRGC's work in Syria.⁹⁹

Tensions between Iran and Saudi Arabia have escalated during the Rouhani administration, fueled by tit-for-tat incidents. Iran perceives itself to be a natural regional power, for historic, geopolitical and economic reasons, and Saudi Arabia as the main competitor. That Iran has a more moderate government in place does not seem to make a difference for Riyadh, which is acting uncharacteristically assertive towards Iran.¹⁰⁰ The nuclear agreement offers a partial explanation, as it is plausible that an Iran that exchanges isolation from the outside world for engagement with it could pose a greater threat in the regional competition. Iran has a tradition of not taking the threat from Saudi Arabia seriously, but Saudi Arabia is militarily strong and its armed forces are gaining some practical experience in Yemen.¹⁰¹ Still, indirect proxy warfare between the countries appears more likely than direct conflict.

There are plenty of challenges for the Rouhani administration. Moderation of Iranian domestic and foreign policies seems to be what a majority of the Iranian populace wants, but achieving that will be difficult. As of yet, he has not been able to achieve much in the socio-cultural arena, and Karroubi and Mousavi, the Green Movement leaders, are still imprisoned. This is likely because Rouhani has had to prioritize, and he has put the nuclear deal and the economy first. The factional struggle has also been visible during Rouhani's first presidency. During the 2016 parliamentary elections, the hardliner-dominated Guardian Council denied 90 percent of the proposed reformist candidates from entering the polls.¹⁰² They even barred Khomeini's grandson from running in the election for the assembly of experts,¹⁰³ which was held simultaneously.¹⁰⁴

Nonetheless, even with the strict vetting, which Khamenei vehemently defended,¹⁰⁵ the end result can be interpreted as a popular rejection of the previous hardliner parliament. In the Assembly of Experts, several ultra-hardliners were pushed out, for example Ahmadinejad's spiritual guide, Ayatollah Mesbah-Yazdi.

⁹⁸ Sinkaya, Bayram (2016), "Revolutionary guards and politics under Rouhani", *ORSAM*, August 15.

⁹⁹ Fars News (2016), "President Rouhani lauds Iranian military advisors in Syria", February 8.

¹⁰⁰ Maloney, Suzanne (2016), "Hot and cold: Understanding Iran's response to the spat with Saudi Arabia", *Brookings*, January 13.

¹⁰¹ Ahmadian, Hassan (2016), "Why Iran needs to fight Saudi Arabia to forge peace", July 18

¹⁰² The Guardian (2016), "Zibakalam on Iranian elections: 'we had to choose between bad and worse'", February 26.

¹⁰³ The assembly of experts is a religious body that oversees the Supreme Leader, and also chooses his successor. Its members are chosen by the people.

¹⁰⁴ The Guardian (2016), "Reformer Hassan Khomeini barred from Iran clerical body ballot", January 26.

¹⁰⁵ Khamenei, Ali (2016), "Iran will stay committed only as long as the other side will: Leader", Speech at meeting with officials in charge of holding elections.

The conservatives still dominate the body and, in an obvious show of force, they managed to get one of Rouhani's staunchest critics, Ayatollah Ahmad Jannati, elected as the new head of the assembly.

More than a year after the finalization day of the nuclear agreement, the people of Iran impatiently await the promised yields. Although caravans of business leaders and heads of state have journeyed to Tehran in the hope of improving relations and striking business deals, there are still issues that impede the restoration of trade. A main obstacle is that the unilateral US sanctions that still remain in place do not allow banks to carry out Iran-related transactions in US dollars.¹⁰⁶ This causes international companies to be extra cautious in reopening trade with Iran.

Another obstacle is the extent to which the IRGC is involved in the Iranian economy and the high degree of corruption, both factors that make potential investors wary.¹⁰⁷ The result is that at the time of writing, the reinvigoration of the Iranian economy is not happening as fast as Iranians would have hoped. This is used against Rouhani by the hardliner camp, including Khamenei, who likely seeks to reinforce his stance that the West is not trustworthy.

Although the elections of 2016 indicate that there is popular support for Rouhani and the reformist camp, there is no telling if he will be re-elected or not. It will depend on a combination of factors; a few of them are whether or not he has Khamenei's confidence, whether the people perceive that he has achieved enough to warrant re-election and if the hardliner camp can mobilize around a viable competitor.

Outside factors could also have an impact, such as the election of Donald Trump as the next president of the United States. Trump has during his campaign promised to undo the nuclear agreement,¹⁰⁸ but whether he will or not remains to be seen. It is also unclear if he can undo the deal per se, but he could for example attempt to impose a new round of sanctions thereby causing Iran to declare the agreement void. Since he is untested as a politician, uncertainties abound on how to interpret his statements, and on what kind of president he is going to be. If Trump manages to derail the nuclear agreement it would mean the eradication of the Rouhani government's greatest achievement.

¹⁰⁶ CSIS (2016), "JCPOA: One Year Later", p.10.

¹⁰⁷ The Canadian Security Intelligence Services, p.83.

¹⁰⁸ Morello, Carol, (2016), "The Iran deal could collapse under Trump, *The Washington Post*, November 9.

4 Conclusions

The finalization of the nuclear agreement between Iran and the P5+1 has awakened a measure of hope among supporters for sanctions relief and the improvement of the Iranian economy. Furthermore, the agreement may create a more favourable political environment for improving Iran's relations with the international community. Their hope is that such a development could lead to moderation of Iranian politics. Although it is appealing, this vision probably awards the nuclear agreement and the lifting of sanctions too much credit. Against the background that has been sketched in this report, it stands to reason that the nuclear agreement is unlikely to be the deciding factor in whether Iran's political system develops in a moderate direction or not. Nor is it likely to decisively change Iran's foreign policy outlook in the short term. Iran's moderation is ultimately a question of who is in power, and in Iran the wielding of political influence is a complex matter.

That being said, it is notable that Iran has had three relatively moderate presidents since 1989, excluding Ahmadinejad (who aside from Khatami, ended up challenging the Supreme Leader's authority most of all). This means that the electorate has chosen moderate presidents, with matching moderate platforms, five times out of seven over the past 27 years. Although the whole selection of presidential candidates is rather non-transparent and controlled by the hardliners, it is probably safe to conclude that the Iranian people would like to see some moderation. But Presidents who challenge the Supreme Leader experience harsh pushback from the hardliner camp. Neither Rafsanjani, Khatami, nor Ahmadinejad have been able to avoid being side-lined following their presidencies.

The factionalism within the elite is utilized by the Supreme Leader as a way of managing Iranian politics and politicians. Where there is disagreement, there is also a need for a mediator. His own faction is the most influential and, thanks to their views on the *velayat-e faqih*, the Supreme Leader's exceptional authority is guaranteed. Parliamentary and Presidential elections appear to function as safety valves through which both popular and factional discontent can be temporarily released.

Rouhani's election becomes interesting in this context, as he seems to represent a sort of compromise. It is quite possible that the 2009 demonstrations, in combination with Ahmadinejad's very confrontational and economically disastrous second term, made Khamenei and the traditional right realize that they were going to have to make some concessions or risk serious discontent. Rouhani is not as threateningly progressive as Khatami, nor is he a populist and a radical, like Ahmadinejad. His technocratic government may also be competent enough to alleviate Iran's current economic problems. Rouhani's election in 2013, (and possible reelection in 2017) could be interpreted as either a necessity, an allowance for a small measure of moderation, or a temporary appeasement of the pro-moderation factions of Iranian politics. Any significant moderation will only be

possible once the hardliner domination of the religious institutions is broken. That, in turn, would at the very least require a reform-oriented Supreme Leader.

Although real reform is far off, and the nuclear agreement may serve different purposes for different factions of the elite, the agreement can have positive effects. Re-forging economic ties with Iran could offer an opportunity to push Iran towards economic modernisation. Economic modernisation will likely necessitate a higher degree of social interaction between Iranians and the outside world.

Iran has long acted on the fringes of the international community, and is still not well understood by the broader strata of Western policy makers. This report argues that domestic politics is very much intertwined with how Iran acts in the foreign policy arena. There is no denying that Iran is one of the most influential countries in the Middle East, with significant demographic and economic resources. What happens inside Iran will continue to impact the geopolitical situation of the region, and continued monitoring will be a necessity. Iran's domestic struggle between change and status quo matters.

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Since the revolution in 1979 the Iranian political elite has been engaged in a tug-of-war between the hardliner and reformist camps. They have opposing views on Iran's economic model; what type of relationship Iran should have with the outside world; and ultimately on what the Islamic Republic's main source of legitimacy is, and thus where the political authority lies.

Each of these factors influence Iranian policy vis-à-vis the world. Iranian moderation is ultimately a question of who is in power, and in Iran the wielding of political influence is a complex matter. This intra-elite tug-of-war and who is currently winning it determines if Iran is to move in a more moderate or conservative direction. The purpose of this report is to describe the different political factions in Iran and to analyse how the power struggle between them has affected Iranian policy since 1989.