

*Working Paper*

## **One Year After the Nuclear Deal: Is Iran Moderating?**

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This paper is a work in progress and has not been submitted for editorial review.

One of the hopes underlying the Obama Administration's approach to the Iran nuclear negotiations has been that reaching a deal would moderate the behavior of the Iranian regime. President Obama told National Public Radio in April 2015 "it is possible that if we sign this nuclear deal, we strengthen the hand of those more moderate forces inside of Iran,"<sup>1</sup> while his advisor Ben Rhodes postulated that "a world in which there is a deal with Iran is much more likely to produce an evolution in Iran's behavior."<sup>2</sup> Both sought to avoid the impression that this was the primary purpose of the accord, with Obama stating that "the deal is not dependent on anticipating those changes...If they don't change at all, we're still better off having the deal,"<sup>3</sup> and Rhodes stressing that the deal had "to be good enough to be worth doing even if Iran doesn't change."<sup>4</sup> It was explicitly clear, however, that prompting change in Iran, while perhaps not the objective of the nuclear deal, was at least a hoped-for side effect.

The structure of the nuclear deal, or Joint Comprehensive Plan of Action (JCPOA), anticipates such an evolution in Iran. The restrictions it places on Iran begin phasing out in five years with the lifting of remaining limits on the export of arms to Iran, and sunset entirely in 10-15 years, after which Iran will face no restrictions on its nuclear fuel cycle or missile activities short of actually producing a nuclear weapon, which would violate the Nuclear Nonproliferation Treaty to which Iran is a party. Absent any plan to negotiate a follow-on accord or to strengthen American deterrence in the Middle East, the deal thus represents a gamble on the P5+1's part that Iran will not desire a nuclear weapon in a decade's time

"Behavior change" is not a new ambition for US foreign policy toward Iran; indeed, it was implicitly the policy goal of George W. Bush after "regime change" aspirations were tempered by US struggles in Iraq after the removal of Saddam Hussein from power. However, while the Bush Administration hoped to induce Iran to change its security strategy primarily by imposing costs for Iranian actions that undermined the interests of the US and its allies, the Obama Administration seems to have deemphasized measures to counter Iranian behavior and instead pinned its hopes on changing Tehran's behavior through outreach and positive incentives.

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<sup>1</sup> Steve Inskeep, "NPR's Interview with President Obama," *NPR*, December 21, 2015. <http://www.npr.org/2015/12/21/460030344/video-and-transcript-nprs-interview-with-president-obama>.

<sup>2</sup> Jeffrey Goldberg, "How the President Understands Iran," *The Aspen Institute*, June 29, 2015. <https://www.youtube.com/watch?v=t3UeHnLteP8>.

<sup>3</sup> Steve Inskeep. "Obama on Iran Deal: A House Under Contract, Awaiting 'Appraisal,' 'Inspector,'" *NPR*, April 7, 2015. <http://www.npr.org/2015/04/07/397933577/transcript-president-obamas-full-npr-interview-on-iran-nuclear-deal>.

<sup>4</sup> Jeffrey Goldberg, "How the President Understands Iran," *The Aspen Institute*, June 29, 2015. <https://www.youtube.com/watch?v=t3UeHnLteP8>.

Stated differently, while the Bush Administration believed a nuclear accord was most likely to be the consequence of a strategic shift by Iran, the Obama Administration appears to believe that the JCPOA could prove to be, at least in part, the cause of such a shift. This keeps with the President's broader philosophy – illustrated not just by his Iran policy but by his less controversial rapprochement with Cuba – that easing the diplomatic and economic isolation of authoritarian states can ultimately lead them to change.

### The Evidence So Far

Despite characterizations in the West of Iranian political elites as either “moderate” or “hardline,” such labels are both oversimplified – the Iranian political landscape is as diverse and complicated as any other country's – and often flat wrong. Wendy Sherman, who as Under Secretary of State for Political Affairs acted as the lead American negotiator of the JCPOA, asserted recently that Iranian President Hassan Rouhani, often categorized as the leader of a supposed “moderate” faction in Iran, “is not a moderate – he is a hardliner.”<sup>5</sup> The “moderate” and “hardliner” labels are insidious, as they feed temptations by Western policymakers to divide Iranian officialdom into “good guys” and “bad guys” with respect to the West's own worldview and interests.

This is not to say, however, that the Iranian regime is not divided. It is possible to identify two broad trends within it, both of which view regime survival as paramount but differ with respect to how it is to be achieved in light of the clear disaffection of the Iranian populace exhibited during the 2009 “Green Movement.” “Membership” within these camps is not formal or fixed, but varies over time and across issues. Those dissidents committed to more systemic change – such as the leaders of the 2009 protests and prominent reformists such as former President Mohammad Khatami or former Majles Speaker Mehdi Karroubi – are outside this framework altogether though form alliances with those within it.

With these caveats in mind, the divide is straightforward. One camp believes the regime must adapt to survive – to bend diplomatically and economically, perhaps even socially, Deng Xiaoping-like, to avoid breaking politically. The other believes that the regime must purify by re-instilling in the Iranian people – which skews very young – revolutionary values. For them, the sort of opening envisaged by the adapters is bound to be exploited by counter-revolutionary forces. The first camp is led by Iranian President Hassan Rouhani and his predecessor, former President

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<sup>5</sup> Matt Riley, “Lead US negotiator of Iran Deal Sherman Analyzes the Agreement,” *The Duke Chronicle*, February 5, 2016. <http://www.dukechronicle.com/article/2016/02/lead-u-s-negotiator-of-iran-deal-sherman-analyzes-the-agreement>.

Ali Hashemi Rafsanjani, and the latter is typified by Supreme Leader Ayatollah Ali Khamenei (though not precisely led by him, as he seeks at least superficially to maintain a “balancing” role between factions), supported by elements of the Islamic Revolutionary Guard Corps (IRGC), clergy, and others. Their internecine battles – mostly rhetorical but sometimes more serious – play out daily and openly, but largely beyond the notice of Western observers.

Among Western diplomats, the yardstick for how the nuclear deal had affected Iran’s internal dynamics was the February 2016 Majles election. Officials in Washington, London, and elsewhere were thought to be eager to ensure the JCPOA’s implementation in advance of this election in order to provide a boost to Rouhani and his allies, and in fact the deal’s “Implementation Day” was January 16, 2016, earlier than the spring 2016 timeframe originally anticipated.

The Majles elections, however, failed to deliver the unequivocal result that Western officials had hoped for. It appears that the vast majority of reformists were disqualified by Iran’s Guardian Council, the appointed body of jurists charged with evaluating candidates’ suitability to stand for office. While a portion of those disqualified were subsequently reinstated on appeal, Rouhani’s allies were left to cobble together election lists – inclusion on which did not require the candidate’s own acquiescence – of the “least worst” remaining candidates. Many of these candidates had reputations as hardliners, and indeed appeared not only on the reformist lists but also the lists of their harder-line opponents. Indeed, Rouhani and Rafsanjani themselves have never identified as “reformists” and have in the past run against and defeated reform-minded candidates.<sup>6</sup>

Whatever the individual candidates’ bona fides, Iranian voters appear to have favored the “reformist” lists. Moreover, some prominent Rouhani foes, such as Mohammad Yazdi and Mohammed Taqi Mesbah-Yazdi, lost their seats in the Assembly of Experts. Thus, while the actual composition of the Majles and Assembly of Experts cannot be said to have appreciably changed, the result reinforces the longstanding notion that Iranian voters will choose the most change-oriented option presented to them and represent a symbolic victory for Rouhani and defeat for his opponents. The result can thus be viewed as a qualified victory for the Rouhani camp, even as it arguably further undermined “real” reformists in the same way that Rouhani’s 2013 presidential victory served as a

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<sup>6</sup> Mehdi Khalaji, “Reformists Apply the ‘Lesser Evil’ Theory to Iran’s Elections,” *The Washington Institute for Near East Policy*, March 9, 2016. <http://www.washingtoninstitute.org/policy-analysis/view/reformists-apply-the-lesser-evil-theory-to-irans-elections>.

device for the regime to relieve the pressure for change manifested in popular protests in 2009.

### Impact of Change on Iranian Policy

While both Rouhani and his rivals are dedicated to the preservation of the Iranian regime, their policy differences are nonetheless significant. On economic policy, Rouhani has stressed not only the need to utilize nuclear diplomacy to lift Iran's international economic isolation, but to undertake broader domestic economic reforms. Iran's Supreme Leader, meanwhile, has called for a return to what he terms the "resistance economy," which essentially amounts to economic self-sufficiency and rejection of foreign investment. There is also good reason to believe that Iran's hardliners worry about the country's reintegration into the global financial system, which may require a crackdown on the illicit trade and finance on which they thrive and could benefit more forward-looking, Western-leaning Iranian entrepreneurs and businessmen. While Rouhani has paid lip service to the "resistance economy" concept, he has stressed the need for increased trade and investment links with the outside world and reached out to the very businessmen who have in turn been intimidated by Iran's security services and judiciary. He has come under withering criticism from hardline adversaries for his perceived disloyalty to Khamenei's economic dictates.

On social and domestic political issues, Rouhani and his allies have similarly broken with Khamenei and his followers, stressing the need for strengthened civil liberties and women's rights, and criticizing the heavy-handed approach of the Guardian Council and judicial targeting of the media. Rouhani even criticized the ban on media coverage of former President Khatami – regarded by regime hardliners as complicit in the 2009 protests – as a "joke."

While these differences tend to generate enthusiasm among Western officials who hope for more constructive policies from Iran, when it comes to Iran's foreign policy the internal divides are more tactical than strategic. At first glance, a recent public spat between Khamenei and Rafsanjani over Iran's missile program might suggest a divide on the regime's security strategy; Rafsanjani tweeted that "The world of tomorrow is a world of talks, not missiles," prompting Khamenei to insist that "those who see the world of tomorrow as a world of negotiation and not missiles" are guilty either of ignorance or treason. In the same vein, Rouhani and Rafsanjani have spurred with Khamenei and his coterie over the question of rapprochement with the United States and diplomacy with Iran's regional rivals.

At the same time, however, Rouhani has vigorously defended Iran's missile program and vowed to expand it in response to US sanctions threats, and has insisted that Iran feels free to buy and sell whatever arms it pleases, despite

restrictions imposed by UN Security Council resolution 2231. He has also stressed that “President Assad must remain” in Syria, and has praised the Iranian military presence in both Syria and Iraq. Far from opposing Iran’s nuclear program, both Rouhani and Rafsanjani were instrumental in its development, and Rouhani can be credited with simultaneously preserving Iran’s nuclear weapons capability while obtaining sanctions relief, a goal which eluded his rivals.

Nor has Iran’s regional behavior changed outwardly. Since the conclusion of the JCPOA, Iran has conducted multiple ballistic missile tests in defiance of Resolution 2231, has conducted live-fire naval exercises in close proximity to commercial shipping, has attacked the Saudi Embassy in Tehran, has been caught seeking to ship weapons to Yemen’s Houthis in defiance of the UN Security Council, and has not altered either its policy toward or involvement in Syria and Iraq. In addition, it imprisoned Iranian-American Siamak Namazi even as it negotiated the release of other American citizen hostages, and took captive twelve American sailors whose vessels strayed into Iranian regional waters.

The sailor incident is perhaps the most instructive. On the one hand, the American personnel were maltreated, filmed kneeling and apologizing for Iranian propaganda, their capture celebrated by Iranian officials from the Supreme Leader down. On the other, their release was quickly arranged by Iranian Foreign Minister Mohammad Javad Zarif, perhaps out of concern for the then-looming lifting of sanctions on Iran. Seeing a practical need to do so, Iranian officials had no qualms utilizing the humiliation of the sailors to advance domestic and regional ends while simultaneously utilizing diplomacy to secure Iran’s economic interests.

What emerges, then, is not a clear difference between Rouhani and his domestic adversaries over Iran’s (or the United States’) rightful role in the region or its regional and national security policies, but rather a divide over the best way to achieve its foreign policy aims. Rouhani is a clear advocate of utilizing diplomacy, even with adversaries, to achieve Iran’s goals, while his rivals view engagement with the West and in particular with the United States as dangerous in its own right. Their view was articulated succinctly by IRGC Commander Gen. Mohammad Ali Jafari who stated (likely in response to Rouhani’s call for a “JCPOA II” on economic matters), “What achievements has the first JCPOA brought that should make us look towards other JCPOAs? ...Individuals who speak today about a series of JCPOAs are unknowingly moving down a counter-revolutionary path.”<sup>7</sup>

### Implications for US Policy toward Iran

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<sup>7</sup> “Iran News Round Up,” AEI Critical Threats, April 5, 2016, <http://www.criticalthreats.org/iran-news-round-april-05-2016>.

In Rouhani and his team, especially Foreign Minister Zarif, US officials face Iranian counterparts who have proven willing to engage with Washington transactionally when it is in Iran's interests to do so, in contrast to their domestic foes for whom anti-Americanism often trumps more pragmatic considerations. This not only made the conclusion of the JCPOA and the release of the various American captives possible, but has led US officials to ponder the possibilities for broader engagement with Iran.

There is scant evidence, however, that such engagement is "changing" Iran or its policies, however, or that it should therefore be pursued by Washington as an end in itself. Nor can US officials afford to approach engagement with Iran purely transactionally, bearing in mind that Iranian officials in consenting to engage diplomatically are doing so to further their own interests, which tend to deviate significantly from if not stand in stark opposition to those of the United States and its allies in the region. Given the strategic challenge that Iran poses to US interests in the Middle East – in its support for terrorism and subversive non-state actors, threat to freedom of commerce and navigation in regional waterways, pursuit of a nuclear weapons capability, and other destabilizing pursuits – the American approach to diplomacy with Iran cannot simply consist of a series of transactional engagements but should instead be nested in a broader strategy to counter the challenges posed by Iran and advance a stabilizing regional agenda.

Indeed, the paradox of American engagement with Iran is that Rouhani's approach, if successful, could result in an Iran that eventually emerges strengthened but whose regional strategy is unchanged, in the same way that the US opening to Beijing, for all of its benefits, also helped facilitate China's transformation into a highly capable rival. While the US partnership with China was justified by the more urgent need to confront the Soviet Union, however, the strategic rationale for empowering Iran is far less clear. Some argue that doing so would offer a form of balancing and that a more confident Iran could ultimately result in a more stable region; however, such an outcome would require Iran to abandon an approach to regional security which arises not only from external but internal factors, such as the preeminence of irregular "revolutionary" institutions like the IRGC over conventional military institutions. Others argue that the greater threat is Sunni jihadism, represented by the likes of ISIS, necessitating cooperation with Iran against a common enemy. This notion, however, ignores the role that Iran's regional activities – and the toppling of Iran's most notable regional rival - have played in contributing to the virulent sectarianism that nourishes ISIS.

On balance, it does appear as though Iran is changing, but the nuclear deal is more a product of than a cause of that change. Nor does it appear that change in Iran

will follow a clearly “good” or “bad” path with respect to American interests. While US and other Western officials should pay close attention to Iran’s internal dynamics and should remain true to their longstanding support for human rights and civil liberties, they should nevertheless be cautious about their ability to shape the country’s internal dynamics and focus instead on influencing its regional and foreign policies through a mixture of incentives and disincentives, utilizing a range of tools from pressure to engagement in service of a broader regional strategy.