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Iran and its Problems: What Next?



Sir Richard Dalton KCMG has served as Ambassador to Iran (2002-2006), Ambassador to Libya (1999-2000) and Consul-General in Jerusalem (1993-1997). He is currently President of the British Iranian Chamber of Commerce.

“When sorrows come, they come not single spies, but in battalions” (Shakespeare in Hamlet)

Iranians have long lived with economic distress and social hardship, a dogmatic leadership, semi-efficient government shot through with graft, US enmity, regional rivalries, cruel sanctions, semi-isolation, and an uncertain future.

Institutions, businesses and families have coped, relying on patience, inner strength, adaptation, ingenuity and extended networks at home and abroad.

In their different ways, from high to low, it’s been ‘Make do and we’ll battle through’. The last deep trough in their fortunes was in 2010-2012 and they emerged from it.

What does the coming year have in store for them? Will things turn out differently this time?

The governing class has rallied to the fundamentals of the Islamic Revolution and to the idea of a resistance economy (belt-tightening, self-sufficiency, regional exports, cooperation with Russia China and other points East). They have recalled the spirit of the ‘imposed war’ (when Iraq attacked Iran in 1980) and tightened ranks around the Leader (Ayatollah Khamenei). They have shown no mercy to protesters or dissenters. They stacked the parliamentary elections so that Principleists (hardliners) gained 220 out of 290 seats. The Leader has now emasculated Parliament as well as the Presidency.

The **economy** has plunged. A sense of severe pressure and attendant hopelessness afflicts much of the population, as evinced by the collapse in the voting participation rate from 60-plus percent in the parliamentary elections of 2016 to 40-plus on 21 February.

Disillusion with the possibility of internal evolution towards a democratic system is even deeper than in 2005 when a Presidential election ended Reformism under Khatami and ushered in the erratic Ahmadinejad. In a year’s time, after another Presidential election, all branches of the government will surely be unified in the hands of hardliners.

The US has all-but killed **the JCPOA**, the 2015 nuclear agreement, which worked for everyone to reduce the risk of conflict with Iran and, if seen through, would have reduced as far as humanly

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possible the risk of a nuclear-armed Iran. The US demands from Iran further security and political concessions across the board, to an extent that no country would accept short of defeat in war. For now, and probably through 2020, if not longer, the tyrannical grip of US maximum pressure on Iran seems inevitable, thanks to the dollar's international role.

The production of a nuclear weapon has come no closer as a result of Iran sloughing off nuclear restrictions it accepted in 2015. The security 'gap', however, as defined by the time during which Iran could acquire enough highly enriched uranium for a nuclear weapon, and fixed in 2015 at no less than a year, is now shrinking, and that has revived concern about Iranian objectives.

US pressure and Iran's reaction have **increased Gulf regional security risks**, and exposed the US to blame for its lawless untrustworthiness and its cavalier attitude to harming an 80 million population. The Trump administration has yet to achieve any of its policy aims apart from deterrence; but, as Washington sees it, these are still early days.

Meanwhile, **diplomacy** appears to be at a standstill. Various would-be mediators have come and gone. A President Macron-led proposal last Autumn, for small mutual concessions by both the US and Iran, to stabilise the situation and create a platform for more far-reaching talks, has folded. President Trump is willing to meet Rouhani, but will not "pay" for a meeting by giving any advance commitment on sanctions relief.

The Europeans invoked the JCPOA's dispute resolution mechanism last month, in reaction to Iranian rejection of JCPOA restrictions. Ahead of them lies a near-vertical uphill climb. The US strategic ambition, shared with Israel, is to hang tough and so be done with Iran once and for all. Iran's strategic choice is to resist domination and thus to retain its dignity. In forswearing restrictions on uranium enrichment Iranians believe that they have recovered something that the West will want to buy back.

And then, heaping Pelion upon Ossa, Iran became an (ill-prepared) hotspot and spreader for Covid-19, with the worst outbreak outside China.

That's the context; now for the insistent question: will hanging on and battling through work for Iran's governing system and people?

"Predicting things to do with Iran is a mug's game" (Anonymous British Diplomat)

The economy shrank by 9.5% last year (IMF). "Economic resistance" - an old idea - would see Iran abandon the push to open up to Western investment and trade. They will focus, instead, on living with the 80% reduction in their oil exports, on investment in domestic industries, and on curbing corruption and improving management.

It was too soon to talk of recovery at the end of 2019, but growth, inflation and the currency had begun to stabilize before Covid-19 hit. Of more far-reaching importance is the recent placing of Iran on the Financial Action Task Force (FATF) blacklist for failing to enact sufficient legislation on prohibiting finance for terrorism. Add to this the reluctance of China to brave US sanctions and buy Iran's oil in quantity, and it would appear that, as with the political life of the country, or its international relations, the Leader and Principleists don't yet have significant or lasting policy approaches to the country's troubles. Economic collapse - inability to finance essential imports, or to pay government salaries and benefits - is unlikely to occur. The pain for Iranians will steadily increase, nevertheless. Half are living below the poverty line and this will get worse.

Popular Feeling against the ruling system will remain at high levels, in consequence, but the system is secure for now. Regime change is very unlikely: the security forces are too effective and the lack of alternative rulers too glaring, for a general uprising or coup against the clerics to be practical.

The powers that be will take the hits and hope to be able to exploit any openings that – undefined - circumstances may create to change the balance of power in their favour. They are encouraged by their sense that US policy and action in Iraq and the Gulf could be on the turn. Marco Carnelos has described this as a growing awareness that the US no longer offers a vision based on its values and principles, but instead undertakes rear-guard steps, sometimes dysfunctional, aimed at hindering or delaying dynamics it can no longer manage.

Clearly, Iran would benefit from the easier approach to **negotiations on nuclear matters** promised by this year's crop of Democrat Presidential candidates, but Iranians are not pinning their hopes on that election leading to change.

Rouhani said recently that Iran "must pursue both diplomacy and resistance". But for the rest of 2020, there will be no basis for a wide-ranging agreement, no middle ground for the US and Iran to meet on. Longer term, hardliners may come to see merit in an agreement involving the US, given the lack of alternatives for easing the country's lot, as long as it is their deal, not a deal achieved by their domestic political opponents. When it sinks in to Iran and the US that stubbornness will gain them less than compromise, there will be scope for a new negotiation, probably with new participants and in new formats.

Military tension between the US and Iran has decreased in recent weeks. Neither the US nor Iran seeks war. But further clashes in Iraq, in and around the Persian Gulf, and elsewhere in the region could occur. Tehran finds the regional landscape full of opportunities for acquiring leverage that could be used in bargaining within any future negotiations.

The US is determined to thwart the lifting of the arms embargo on Iran for which Security Council Resolution 2231, endorsing the JCPOA, provides. The lifting is due in October. A clash over this is inevitable: Iran sees the lifting as deserved; Russia and China will oppose the US and support Iran.

The JCPOA dispute resolution process begun by the Europeans could also lead to a crisis. The process could get out of hand and end in a reference to the Security Council. This in turn could precipitate Iranian withdrawal from the Nuclear Non-Proliferation Treaty and a sharp reduction in International Atomic Energy Agency oversight of nuclear activities in Iran.

Any one of these risks could make it even harder for Iran to hang on and battle through, and could generate unpredictable consequences for peace, for Iran's economy, and for the ruling system's hold on Iranians.

The best hope for a brighter outlook would be a UN-initiated multilateral endeavour to establish a framework for resolving the underlying quarrels between Iran, its neighbours and the US. The aim would be regional cooperation across lines of enmity, drawing from the international cooperation tool-box that is so well established in other regions. This would require the US and its regional partners to put aside zero-sum thinking and work for a balanced system of security in the Persian Gulf, in which all relevant parties take part. Don't hold your breath!

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