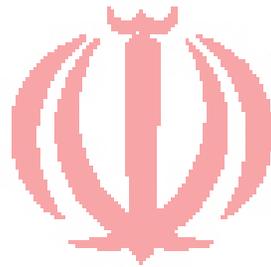


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Iran's Complicated Post-JCPOA Nuclear Path



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2. Islamic Republic of Iran, Ministry of Foreign Affairs, "Statement of the Government of the Islamic Republic of Iran on U.S. Government Withdrawal from the Joint Comprehensive Plan of Action," May 10, 2018.

3. "Rouhani Orders Talks with JCPOA Partners to 'Guarantee' Iran's Interests," *Radio Farda*, May 13, 2018.

4. "Tehran Urges World to Resist U.S. 'Bullying,' Compensate Iran's Losses," *Radio Free Europe/Radio Liberty*, June 8, 2018.

5. Saeed Kamali Dehghan, "Iran's Leader: US Pullout from Nuclear Deal leaves Trump 'Lost in History,'" *Guardian* (London), May 23, 2018.

6. "Iran to Boost Uranium Enrichment if Nuclear Deal Fails," *BBC*, June 5, 2018.

7. Thomas Erdbrink, "Iran Moves to Lift Its Nuclear Enrichment Capacity," *New York Times*, June 5, 2018.

8. *Ibid.*

In the aftermath of President Donald Trump's May 8th decision to formally end America's participation in the 2015 nuclear deal known as the Joint Comprehensive Plan of Action (JCPOA), there has been significant speculation about potential responses on the part of the Iranian leadership. Iranian officials have threatened a range of possible consequences stemming from the U.S. decision, up to and including a resumption of nuclear development and associated processes by their government.

Ahead of the Administration's formal announcement, Iranian President Hassan Rouhani indicated publicly that he had "directed the Atomic Energy Agency to prepare for the next steps, if necessary, to begin our own industrial enrichment without restriction."¹ In the immediate aftermath of the U.S. decision, Iran's government issued a formal statement confirming that "[t]he President of the Atomic Energy Organization of Iran has been tasked with taking all necessary steps in preparation for Iran to pursue industrial-scale enrichment without any restrictions, using the latest research and development of Iran's brave nuclear scientists."²

Since then, Iranian officials have sought to use the possibility of a collapse of the agreement in order to extract concessions from the JCPOA's other participants. President Rouhani has stressed the need for European nations to "secure" Iran's interests – and do so in the near term – lest Iran abandon the JCPOA framework altogether.³ Iranian foreign minister Javad

Zarif has been even more explicit, arguing that the Islamic Republic needs to be "compensated unconditionally through appropriate national, regional, and global measures" by its economic partners, or else it would formally scrap existing constraints on its nuclear development.⁴ Such compensation, Iranian Supreme Leader Ali Khamenei has made clear, must include a prompt "guarantee" that Iranian energy exports will continue free of restrictions. "If the Europeans linger over our demands, Iran has the right to resume its nuclear activities," Khamenei warned. "When we see that the JCPOA was useless, one way forward is to restart those halted activities."⁵

Iran has already taken preliminary steps in this direction. In early June, the Iranian government sent a formal letter to the International Atomic Energy Agency outlining a "tentative schedule to start production of UF₆ (uranium hexafluoride)."⁶ Later the same month, regime officials announced that the country had completed work on a new centrifuge assembly center at the Natanz nuclear site in a "first step to increasing its enrichment capacity."⁷ Although Iran agreed, for the time being, to keep its enrichment activities within the limits of the JCPOA, experts view the opening of the new facility as a "swing to industrial level enrichment"⁸ in line with the regime's warning that it will ramp up its nuclear activities anew should it fail to come to a deal with the remaining JCPOA partners.

But just how likely is Iran to make good

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on these threats? And is a sustained “sprint” toward nuclear status really within the capabilities of the Iranian regime, should Tehran and the remaining members of the P5+1 fail to come to terms on a new framework accord? Official Iranian rhetoric notwithstanding, a confluence of contemporary social, economic, and strategic factors suggest that it will be difficult for the Iranian regime to significantly advance the capabilities and scope of its nuclear program, even if it makes a strategic decision to do so.

A FRAUGHT DOMESTIC ENVIRONMENT

The Iranian leadership’s deliberations over potential next steps in the nuclear arena come against the backdrop of sustained domestic unrest – ferment which is likely both to influence and to constrain regime decision-making. Since the last days of 2017, the Islamic Republic has been convulsed by persistent protests that represent what is arguably the greatest challenge to the legitimacy and integrity of the Islamic Republic in its thirty-nine-year history.

The current unrest differs from that which engulfed Iran in the Summer of 2009 in significant ways. The mass uprisings that followed Mahmoud Ahmadinejad’s fraudulent June 2009 reelection to the Iranian presidency brought millions to the streets in Tehran and other major cities in demonstrations that coalesced into the so-called “Green Movement.” Today’s protests, by contrast, are considerably more modest in size. However, they are more diffuse, extending beyond Iran’s major urban centers and involving the Islamic Republic’s smaller towns and historically quiescent countryside.⁹ They are also more

persistent; as of this writing, the latest protests (now some eight months old) have already lasted longer than those of 2009. And, unlike the 2009 protests, today’s uprising is more broad-based in nature, involving various social strata within the Islamic Republic (such as Iran’s powerful bazaar class) which remained largely inert nine years ago.¹⁰

The present unrest in Iran is driven by a complex interplay of factors, which have combined to generate broad-based and persistent opposition to the Iranian regime. These include:

Economic dissatisfaction

The primary grievances of the current unrest in Iran are economic in nature. The initial period that followed the passage of the JCPOA in 2015 was greeted with considerable optimism by ordinary Iranians, who were hopeful that the agreement would be accompanied by an economic “peace dividend” of sorts.¹¹ This, however, did not materialize, notwithstanding a surge in trade and investment into the Islamic Republic over the past three years. The Iranian regime simply chose not to parlay the economic benefits of JCPOA-enabled trade into meaningful, sustained investments in infrastructure and prosperity within the Islamic Republic, despite prioritizing market reforms and banking liberalization as part of its sixth five-year development plan (spanning 2016-2021).

Current domestic conditions reflect this failure. The official unemployment rate in Iran today stands at some 12.5 percent, but unofficially is gauged to be significantly higher.¹² It is also endemic, reaching as high as 60 percent in some cities within the Islamic Republic.¹³ Youth unemployment is particularly widespread, and last year measured nearly 29 percent.¹⁴

9. Brenda Shaffer, “Provinces Lead the Center in Iran’s Protests,” Washington Institute for Near East Policy *PolicyWatch* 2908, January 4, 2018.

10. Lee Keath, “2009 vs. 2018: How Iran’s New Protests Compare to the ‘Green Movement’ of the Past,” Associated Press, January 3, 2018.

11. See, for example, Ebrahim Mohseni, Nancy Gallagher and Clay Ramsey, “Iranian Public Opinion on the Nuclear Agreement,” Center for International & Security Studies at Maryland, September 2015.

12. Andrew Torchia, “Crisis of Expectations: Iran Protests Mean Economic Dilemma for Government,” Reuters, January 1, 2018.

13. “Iran Worried as Unemployment Reaches 60% in Some Cities,” *Radio Farda*, October 2, 2017.



14. Patrick Cockburn, "Corruption and Inequality Fueling Protests in Iran as Rouhani Faces Pressure to Crack Down," *Independent* (London), January 1, 2018.

15. "26 Million Iranians Suffer Absolute Poverty, Says Prominent Economist," *Radio Farda*, April 10, 2018.

16. *Ibid.*

17. Chirine Mouchantaf, "Iranian Protest: 'Military Adventurism' at the Core of Citizens Outcry," *Defense News*, January 5, 2018.

18. Amir Basiri, "Iran Increases its Military Budget in Response to Nationwide Protests," *Washington Examiner*, January 30, 2018.

19. Mouchantaf, "Iranian Protest: 'Military Adventurism' at the Core of Citizens Outcry."

20. Shashank Bengali and Ramin Mostaghim, "Death to the Dictator! is New Rallying Cry in Iran as Antigovernment Protests Spread to Capital," *Los Angeles Times*, December 30, 2017.

21. See, for example, Erin Cunningham, "Women in Iran are Pulling Off their Headscarves – and Hoping for a 'Turning Point,'" *Washington Post*, March 8, 2018.

Poverty within the Islamic Republic remains pervasive as well, with nearly a third of the country's population (26 million Iranians) suffering from "absolute poverty" and six percent facing starvation.¹⁵ Furthermore, between 10 and 13 million Iranians are completely detached from the state social safety net, having been "entirely excluded from health, work or unemployment insurance."¹⁶ Meanwhile, commodity prices have risen significantly (with staple goods such as eggs and chicken increasing in cost by 40 percent or more), while purchasing power has declined as Iran's national currency, the *rial*, plummeted in value in recent months.

Yet, rather than focus on the country's deleterious domestic conditions, Iran's leaders systematically prioritized guns over butter. Between 2016 and 2017, Iran's national defense budget increased by some 20 percent, while its defense budget for 2018-2019 further hikes spending by nearly 90 percent.¹⁷ Iran also significantly expanded its foreign activism in places like Bahrain, Yemen, and (most conspicuously) Syria, at considerable cost to the regime. The Islamic Republic's ongoing campaign in Syria alone is estimated to cost the country between \$15-\$20 billion annually – roughly equivalent to Iran's total national healthcare budget of \$16.3 billion.¹⁸ Iranian spending on terrorist proxies such as Hezbollah, Hamas, and assorted Shi'ite militias in Iraq, meanwhile, represents another sizeable official expenditure – one estimated at upwards of \$1 billion annually.¹⁹

This combination of domestic neglect and foreign adventurism has generated a massive domestic backlash within Iran. Prominent among the slogans in the current cycle of protests within the Islamic Republic have been calls of "Leave Syria, think about us!" and "Death

to Hezbollah!" These chants reflect a fundamental dissatisfaction with, and rejection of, the prevailing economic priorities of the Iranian regime.

Political/ideological rejectionism

Iran's current protests may have initially begun as an outpouring of dissatisfaction with the country's lackluster economic conditions, but they have since become much more. While the 2009 uprising showcased widespread discontent with Iran's clerical system, it stopped short of calling for its outright abolition, with protesters instead choosing to pin their hopes on a "reformist" political camp embodied by opposition leaders Mir-Hossein Mousavi and Mehdi Kharroubi. By contrast, the current protests have at their core a fundamental rejection of Iran's current system of government, and a repudiation of the authority of Iran's unelected clerical elite.

Thus, in the early stages of the current unrest, a multitude of slogans proclaimed "Death to the dictator!" a reference to Iran's all-powerful Supreme Leader, Ali Khamenei.²⁰ More recently, dozens of women braved incarceration and abuse by authorities and removed their compulsory headscarves in public to protest social strictures imposed on them as part of the Iranian government's application of *sharia* law.²¹ These and similar ongoing demonstrations make abundantly clear that some segment of the protestors – and likely a sizable one – is now seeking fundamental political change for the country.

Environmental concerns

More recently, environmental concerns have emerged as an ancillary but significant driver of the current unrest. Drought and resource mismanagement



have long plagued the Islamic Republic, exacerbating environmental conditions and impacting social cohesion. However, the situation has become markedly worse over the past couple of years. After long-term official neglect, nearly 300 major cities across Iran are now estimated to be on the verge of “water crisis” and drought conditions.²² However, despite formal appeals from eminent experts, regime authorities have failed to act resolutely or decisively to ameliorate conditions. And because they have not, environmental concerns have emerged as distinct political issues – ones which have helped to sustain and galvanize opposition to the regime across the length and breadth of the country.²³

In February, farmers in Varzaneh, in the central province of Isfahan, took to the streets to protest the Iranian government’s mishandling of natural resources, including the transfer of local river water to steel factories in a neighboring province.²⁴ More recently, protests broke out in Abadan, in southwestern Iran, over the salinity of the city’s water, which was rendering it undrinkable.²⁵ And just days later, protesters took to the streets of the southwestern Iranian city of Khorramshahr to protest “shortages of drinking water,” precipitating armed clashes with authorities.²⁶ These incidents, and a continued failure by Iranian authorities to resolutely tackle the situation, augur still more internal friction along environmental lines in the future.

These and assorted ancillary factors continue to fuel public opposition to the Iranian regime, and represent important barometers of internal stability within the Islamic Republic. But they are also strategically significant, insofar as they help to shape and constrain the way the Iranian regime thinks about its freedom of action

relating to its strategic programs – chief among them its nuclear effort.

A POLARIZATION OF POLITICAL RHETORIC

The current international debate over the future of the JCPOA has profoundly influenced the internal political balance of power within the Islamic Republic. It has shifted political salience away from the regime’s “pragmatist” political camp toward regime hardliners skeptical of the possibility of rapprochement with the West, and adamant about the necessity of furthering the country’s nuclear potential.

The 2013 election of so-called “reformist” politician Hassan Rouhani to the Iranian presidency was hailed by many, particularly in the West, as signaling a more pragmatic turn in Iranian politics after the ideological and confrontational tenure of Mahmoud Ahmadinejad (2005 to 2013). Indeed, the Obama administration’s drive for political normalization with Tehran was predicated in large part on the belief that Iran’s leaders were at long last both ready and willing to moderate their behavior.²⁷

This assessment, however, constituted a significant misreading of Iranian politics. The powers of Iran’s presidency, as enumerated under the country’s constitution, are limited in nature and subservient to the post of Iran’s Supreme Leader, who maintains primacy in both political and strategic affairs.²⁸ Thus, even if Rouhani was truly a “moderate” and a “reformist,” his power to effect change would remain limited absent endorsement from Iran’s clerical elite, which remains oriented in a distinctly anti-Western direction. But there is ample reason to doubt Rouhani’s desire to effect such

22. Ramadhan al-Saadi, “Some 300 Major Cities Across Iran are on the Verge of Water Tensions,” *Al-Arabiya* (Riyadh), July 10, 2017.

23. Nasser Karimi and Mohammed Nasiri, “Rivers Dry and Fields Dust, Iranian Farmers turn to Protest,” Associated Press, July 19, 2018.

24. Michael Lipin and Mohammad Naficy, “Iran’s Growing Water Shortage Protests Spur Accusations of Mismanagement,” *VOA News*, March 14, 2018.

25. “Salinity of City Water Leads to Protests in Abadan,” *Radio Farda*, June 24, 2018.

26. “Protest over Water Scarcity Turns Violent in Southwest Iran,” *Radio Farda*, July 1, 2018.

27. See, for example, “Transcript: President Obama’s Full NPR Interview on Iran Nuclear Deal,” *National Public Radio*, April 7, 2015.

28. See generally Wilfried Buchta, *Who Rules Iran? The Structure of Power in the Islamic Republic* (Washington Institute for Near East Policy/Konrad Adenauer Stiftung, 2000).



29. Julian Borger and Saeed Kamali Dehghan, "Secret Talks Helped Forge Iran Nuclear Deal," *Guardian* (London), November 23, 2013.

30. Nancy Gallagher, Ebrahim Mohseni and Clay Ramsey, "Iranian Attitudes on Iranian-U.S. Relations in the Trump Era," Center for International & Security Studies at Maryland, January 25, 2017.

31. Bozorgmehr Sharafedin and Babak Dehghanpisheh, "Iran's Khamenei Criticises Government's Economic Record," *Reuters*, March 20, 2017.

32. Najmeh Bozorgmehr, "Trump Sanctions Bolster Influence of Iran's Revolutionary Guards," *Financial Times*, July 18, 2018.

33. "Iran's Khatami Urged to Launch 'Reforms Within Reform Movement,'" *Al-Monitor*, June 13, 2018.

change in the first place. Having played an integral role in official decision-making, and occupied key government posts since the Islamic Revolution of 1979 (including that of chief nuclear negotiator with the European Union in the early 2000s), Rouhani's policies are best understood as an accurate reflection of mainstream (if pragmatic) regime ideological thought, rather than a meaningful deviation from it.

Nevertheless, it is accurate to say that Rouhani staked much of his political legitimacy on the potential benefits that could be derived from a nuclear accommodation with the West. During his successful bid for the Iranian presidency in 2013, Rouhani banked heavily and publicly on the idea that such a deal (then already quietly under discussion with the Obama administration²⁹) would auger greater prosperity for ordinary Iranians. In turn, much of the mandate granted to Rouhani and his administration by Iranian voters derived precisely from their desire for such change. This, however, did not happen. Following the 2015 passage of the JCPOA, the "peace dividend" promised by Rouhani never materialized – at least for ordinary citizens. Despite the enormous economic windfall received by the Iranian regime as a result of the agreement (encompassing access to some \$100 billion in previously escrowed oil revenue, reintegration into the global financial system, and a surge in post-sanctions trade), prosperity did not trickle down to the average Iranian.

Not surprisingly, even before the Trump administration's May decision to formally withdraw from the JCPOA, the initial optimism that surrounded the nuclear agreement had faded considerably. "A year after the deal was implemented and nuclear-related sanctions on Iran

were lifted," a January 2017 survey by the University of Maryland's Center for International Security Studies found, "majorities believe that Iran has not received most of the promised benefits and that there have been no improvements in people's living conditions as a result of the nuclear deal."³⁰ This, in turn, resulted in growing antagonism toward Rouhani on the part of more hardline elements within the Iranian regime skeptical over any sort of reconciliation with the West.³¹

In the aftermath of President Trump's May decision, Rouhani's standing within Iranian politics has deteriorated still further. The Iranian president's rivals and competitors are now able to point to the negative consequences of placing trust in the United States, and their criticism of Rouhani as being "too soft" in his dealings with the West is seen as more credible and believable. At the same time, the internal balance of power has shifted decisively in favor of Iran's "hardliners," and in particular the regime's clerical army, the Islamic Revolutionary Guard Corps (IRGC).³² Rouhani's declining political fortunes, in turn, have adversely affected the overall health of Iran's so-called "reformist" political camp, which is now showing signs of fragmentation.³³

The resulting official consensus within Iran is both more conservative and more confrontational, dominated by entities such as the IRGC that reject compromise with Western powers. IRGC commander Major General Mohammed Ali Jafari went so far as to welcome the demise of the JCPOA as a "good omen," because the agreement "would have no determining impact on any area" of Iran's national interests any longer.³⁴ These include Iran's development of strategic capabilities, chief among them



the regime's ballistic missile and nuclear programs. The stance is not surprising; IRGC officials have long been skeptical of the prospective benefits of the JCPOA, which they saw as a significant constraint to national capabilities and regime potential.³⁵ But it is deeply significant, because the IRGC serves as the custodian of the Islamic Republic's strategic arsenal, and thus has major input into regime decision-making relating to future nuclear work, as well as advances in ballistic missile capabilities.

DOMESTIC POLITICS AND IRAN'S NUCLEAR DRIVE

At first blush, Iran's more conservative, consolidated domestic political scene might be expected to yield a greater consensus than before about the necessity of post-JCPOA nuclear development on the part of the Iranian regime. But the reality is both more complex and more nuanced, for several reasons.

First, significant moves toward nuclearization have the potential to lead to even greater domestic unrest within the Islamic Republic. This is because, in order for strategic benefits to accrue to the Iranian regime, any substantial restart of Iran's nuclear program will need to be public in nature. Only in this way will Iran's leaders be able to properly cause their desired range of strategic outcomes (i.e., to effectively exercise deterrence and compellence). Simply put, a renewal of Iran's nuclear effort carried out in secret, absent international acknowledgement and recognition, would make it of only limited utility to the Iranian regime as a shaping tool in international relations, at least in the near term.

Yet this same need for public awareness hazards further inflaming Iran's already restive domestic populace. The Iranian "street" today is increasingly incensed over what it sees as the regime's consistent prioritization of proxies and foreign adventurism over domestic prosperity. Signs of significant renewed official investments in Iran's nuclear program would only serve as confirmation of this reality, and exacerbate the country's already fraught internal political scene.

In addition, Iran now faces formidable economic constraints to any significant resumption of future Iranian nuclear work. With the advent of the Trump administration, the permissive economic environment engendered by the JCPOA has diminished notably. A central feature of the Trump administration's new, "comprehensive" strategy toward Iran has been a reinvigoration of broad fiscal pressure on the Islamic Republic's economic partners, with the goal of re-imposing the regime's global isolation.³⁶

This pressure, in turn, is beginning to have a pronounced effect on Iran's economic stability. In recent months, the Islamic Republic's external trade has dried up significantly, as a growing number of foreign companies and countries have begun to curtail their business with the Iranian regime.³⁷ Economic conditions have been further impacted by domestic jitters over the possibility of additional measures that might be undertaken by the United States, which has generated massive capital flight (totaling nearly \$60 billion to date) from the Islamic Republic.³⁸ This decline, coupled with extensive ongoing financial commitments to assorted regime proxies and foreign intervention (such as in Syria), has created formidable fiscal barriers to a

34. "IRGC Commander says U.S. Exit from Nuclear Deal 'Good Omen' for Iran," Xinhua, May 9, 2018.

35. See, for example, Ahmad Majidyar, "I.R.G.C. Deputy Chief: Iran Better Off without Nuclear Deal," Middle East Institute *IranObserved*, September 29, 2017.

36. Secretary of State Mike Pompeo, Remarks at the Heritage Foundation, Washington, DC, May 21, 2018.

37. "Japan to Suspend Imports of Iranian Oil in Light of Reimposed Sanctions," *Radio Farda*, July 20, 2018; "Turkey's Tupras Reduces Iranian Crude Purchases as U.S. Sanctions Loom," Reuters, July 20, 2018; François De Beaupuy, "Total Stops Iran Gas Project as Risk from Sanctions Too High," *Bloomberg*, May 16, 2018; Ellen R. Wald, "10 Companies Leaving Iran as Trump's Sanctions Close In," *Forbes*, June 6, 2018; Katrina Manson, "US Claims 50 Companies Plan to Quit Iran to Avoid Sanctions," *Financial Times*, July 2, 2018.

38. "Capital Flight - \$59 Billion Has Left Iran in the Last Two Years," *Radio Farda*, May 31, 2018.



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serious expansion of investments in strategic programs on the part of the Iranian regime.

Thus, notwithstanding official bluster to the contrary, Iran's leaders are liable to find it exceedingly difficult to quickly and decisively escalate their domestic nuclear work. For the same reasons, the Iranian regime will likely find it beneficial to eventually reengage with the international community in a negotiated settlement over its nuclear program as a way of diminishing international pressure and alleviating adverse domestic conditions – things which simply cannot be achieved by a unilateral regime drive toward nuclear status.