

# Domestic Issues Trump Foreign Policy in Iran

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## ABOUT THE AUTHORS



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Brief Analysis

At each stop on his recent Middle East tour, President Bush centered his foreign policy agenda on the growing threat from Iran. But inside the Islamic Republic, domestic policies -- and not the international issues that Bush highlighted -- are at the center of political debate.

### Economic Issues Top Agenda

For the past two years, Iranian president Mahmoud Ahmadinezhad had attempted to stir up patriotic fervor by aggressively defying the West and radicalizing Iran's nuclear policy. But his tactics failed, as critics accused him of endangering the country with his unnecessarily belligerent rhetoric. Ali Akbar Rafsanjani, the former president crushed by Ahmadinezhad in the 2005 elections, rode this theme back into a position of considerable power.

But the recent U.S. National Intelligence Estimate on Iran's nuclear activities has fundamentally changed the political mood in Iran. Since the threat of a U.S. military attack on Iran no longer seems credible -- a development that has undercut Rafsanjani and his warnings about Ahmadinezhad's rhetoric -- attention has shifted away from the nuclear issue to the country's pressing economic problems. For the March parliamentary election, reformists will focus their attacks on the populist and dangerous economic agenda espoused by the hardliners and the president. Ahmadinezhad's spending on subsidies and poorly conceived projects -- activities that appear rife with corruption -- has overheated the economy, resulting in double-digit inflation. The government claims the current rate is 19 percent, but most economists suspect it is even higher. The president's recently proposed budget for the new Iranian year would further overstimulate the economy.

Unfortunately for Ahmadinezhad, even the weather is working against him. Much of Iran has been experiencing record cold and snowstorms. While Iran's policy of heavily subsidizing natural gas for home heating has led to increasing consumption rates, Tehran's international isolation and bad business climate has limited the production of the country's ample gas reserves. Consequently, Iran now depends on gas imports from Turkmenistan. But since Iran has been refusing to pay market prices for the gas, Turkmenistan cut off supply just as the cold weather hit. Despite taking drastic measures to reduce consumption, Tehran recently came within hours of having to shut off gas to much of the city, while supply was totally cut in many provinces. This situation has been taken as further evidence that Ahmadinezhad is incapable of solving the most crucial economic problems.

## Khamenei's Aggressive Domestic Policy . . .

In an unusual bout of activity given his ongoing ailments, Supreme Leader Ali Khamenei delivered nine public speeches in seven days in early January. Anticipating the upcoming parliamentary elections, he paved the way for the Guardian Council's disqualification of reformist candidates by denouncing and accusing them of trying to prevent the previous election.

In doing so, Khamenei waded into one of the country's most sensitive political issues: the fight over electoral practices. Hardliners have long used the Guardian Council's power to supervise elections and reject reformist candidates (there have been accusations of more blatant vote-rigging as well). Such practices have become a major theme of the anti-Ahmadinezhad coalition that comprises various technocrats and modest reformers. On November 18, 2007, Rafsanjani told students in Khorramabad that his "main concern is the accuracy of the election," echoing his past contentions that Ahmadinezhad's 2005 victory was tainted by election fraud. In December, former president Muhammad Khatami stated that "free elections . . . lead to national unity and Islamic solidarity," as part of a verbose statement seen as a criticism of the Guardian Council's qualification process. Similarly, on January 6, Rafsanjani warned, "Depriving people of their own right cannot be justified by any means."

The Supreme Leader has been quick to respond to such sentiments. On January 9, he stated, "During the past twenty-eight years, the elections in Iran have been completely accurate. So why are some people . . . discrediting the [upcoming] election?" He implied that such criticism came from groups or individuals supported by the United States, insisting "we have to be careful that that elections not be exploited by foreigners, and that political groups and individuals keep their distance from the enemy. Otherwise, the enemy will cross the border or some people will be unwitting tools of the enemy." Addressing the reformist suggestion that international observers be invited for the March elections, Khamenei lashed out: "inviting . . . Iran's enemies to observe the election would be a shame and a big insult to the Iranian people."

## . . . and Defensive Foreign Policy

Although he has been aggressive on domestic policy, Khamenei's attitude toward foreign policy, especially with regard to the United States, has taken a defensive tone. In a January 3 speech, he went on at length about why relations with the United States are not currently in Iran's interest, arguing that "on the day this relationship becomes beneficial for Iran, I will be the first to start [it]." In the same speech, he ran through a long list of U.S. criticisms of Iran -- on democracy, human rights, women's rights, and other issues -- arguing in each case that Iran does not deserve such criticism. Shortly thereafter, at a military gathering in Yazd, he argued that the Islamic Republic is not a warmonger regime. In general, his recent speeches have had remarkably little bluster about Iran's great power, about the world looking to Iran for leadership, about America's weakness, or even about the natural superiority of Islam.

Interestingly, Khamenei is also accepting more responsibility for the nuclear issue. For the first time, he admitted that Iran's shift in nuclear policy -- which began right after Ahmadinezhad came to office -- was by his order. He stated, "I told [Iranian] officials that if [Westerners] continue to ask us to give up, I would step into the ring myself, and I did so. I said that this process [uranium enrichment] should stop." On January 12, he personally met with the head of the International Atomic Energy Agency (IAEA), Mohamed ElBaradei. Khamenei's stance remains tough -- he has repeated Iran's longstanding demand that its nuclear file be handled by the IAEA and not the UN Security Council. At the same time, he has apparently agreed to answer the IAEA's questions about Iran's past activities, a process that has been moving much slower than the timetable agreed to in summer 2007.

## Conclusion

Given that Khamenei publicly intervened in the political process and addressed the citizens directly in response to

their criticisms, it is clear that he is insecure about the political situation and the outcome of the March elections. Because a semi-free election would produce a hardliner defeat that would in turn marginalize Ahmadinezhad and weaken Khamenei, the Supreme Leader will attempt to disqualify most of the reformist candidates. Even if he succeeds, however, the rate of voter participation in large urban areas would be low and the regime would face greater legitimacy problems. In order to manage the current political and economic crisis, Khamenei appears to be concentrating on domestic issues while taking a defensive position on the country's nuclear program. To what extent he will continue this strategy is still unclear.

Mehdi Khalaji is a visiting fellow at The Washington Institute and author of its just-published paper [Apocalyptic Politics: On the Rationality of Iranian Policy](http://www.washingtoninstitute.org/templateC04.php?CID=286) (<http://www.washingtoninstitute.org/templateC04.php?CID=286>). ❖

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