



PolicyWatch 2339

What Difference Would an Iran Deal Make?

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Implementing a nuclear agreement will be no easier than reaching one, and Washington will have little influence over what Iran decides to do over time about the deal.

Reaching a nuclear deal with Iran is proving to be tough, as evidenced by the seven-month extension of talks agreed to on Monday. But negotiating an agreement will only be the first part of resolving the nuclear impasse. At least as important will be persuading Iran to abide by the deal over time, and the regime's track record suggests that will not be easy. In 2003-2004, Tehran reached two nuclear agreements with the EU3 (Britain, France, and Germany) and then walked away from them. And in 2009, the regime reached a deal with the P5+1 (Britain, China, France, Germany, Russia, and the United States), but Supreme Leader Ali Khamenei vetoed it before it could go into effect. Today, a variety of economic and political factors stand to threaten the durability of any new accord.

ECONOMIC IMPLICATIONS

To the extent that a deal is seen as bringing real benefits at modest cost, then Iran has good reason to follow through fully. By contrast, if a deal is seen as not bringing much to Iran, the regime may be tempted to skimp on implementation or withdraw entirely, perhaps blaming the West for not living up to its end of the bargain. Put more bluntly: if Iran's economy improves after a deal, the agreement will look good; if the economy stagnates, the deal will look bad.

As in most countries, including the United States, such a straightforward economic evaluation will have more political traction in Iran than a complicated explanation about what actually happened versus what would have happened had there not been a deal at all. Indeed, the Iranian public may make up its mind quickly based on short-term economic changes. That is not good news -- while the economy may perform better after a deal, it will not experience the type of immediate boom many Iranians are likely expecting.

Because the short-term economic effects will be mixed at best, they will be subject to varying

interpretations. Some Iranians will focus on the paucity of immediate positive effects. In the aftermath of a deal, most U.S. and many international sanctions will remain in place. The nuclear-related sanctions will be phased out over a period of years, and only after Iran follows through on the deal's provisions, while the many sanctions related to terrorism and human rights will remain indefinitely. Moreover, Iran's longstanding economic problems are so extensive that any improvement from lifting sanctions may not be politically impressive. Furthermore, the very people who benefit from the current economic distortions can be counted on to deplore the changes if Iran opens up to freer trade and investment.

In contrast, some Iranians will capitalize on the immediate changes resulting from a deal. Restoring the country's access to more of its frozen foreign exchange reserves held abroad would allow for a substantial injection into the economy, particularly in the first few years before the full impact of relieving trade sanctions is felt.

So perhaps Iranians will see a deal as a good thing, but that is by no means assured. The most likely situation is that some politicians will champion the deal's positive effects while others will blame the continuing economic problems on the West. The latter camp would no doubt argue that Western governments have not lived up to their obligations, and that rather than pursuing economic cooperation with the West, Iran would be better advised to follow the path of "resistance economy" long advocated by the Supreme Leader.

POLITICAL IMPLICATIONS

A nuclear deal might also strengthen President Hassan Rouhani and lead to improvements in U.S.-Iranian relations. But that is not guaranteed. If the economy does not improve apace with public expectations, disappointment with Rouhani -- already a common sentiment in Iran -- may grow. If the public believes the deal has brought little, then the accord could eventually collapse, with Washington and Tehran blaming one another for the breakdown.

The structure of the Iranian system works against Rouhani becoming more powerful. Khamenei's interest in amassing greater authority for the Office of the Supreme Leader inclines him toward undercutting other institutions, be it the Majlis or the presidency. Indeed, Iran's last three presidents suffered this fate after their first two years in office, and Khamenei has been less than vigorous in supporting Rouhani. The Supreme Leader is increasingly vocal about his view that the West is not to be trusted and that resistance works much better than compromise. In many speeches, he has denounced the very negotiations he authorized. For instance, on August 13 he stated:

"Relations with America and negotiations with this country, except in specific cases, not only have no benefit for the Islamic Republic but also are harmful...It was decided that contacts, meetings, and negotiation should take place at the level of foreign ministers, but this was futile, and the rhetoric of Americans became more aggressive and offensive; they have increased their unreasonable expectations in the negotiation meetings and public announcements...This is valuable experience for all of us to learn that sitting and talking to Americans would not have any influence in diminishing their animosity and is futile."

Despite that skepticism, Khamenei may allow a nuclear deal to proceed. He is not as powerful or charismatic as his predecessor Ayatollah Ruhollah Khomeini, so he cannot speak his mind as freely on some issues or expect officials to follow him unquestioningly. This explains his tactic of

temporarily accepting certain policies, leadership appointments, or election outcomes that command much public support, only to criticize or subvert them later. Khamenei could use that same strategy with a nuclear deal, particularly given his deep suspicion of the negotiations. He may calculate that if implementation of the deal turns out better than he expects, it will work well for the Islamic Republic, and if the effects prove to be as bad as he fears, then the elite and the populace will realize that he was correct in calling the talks futile. In other words, if a deal works, Khamenei takes credit; if it fails, Rouhani gets the blame. In neither scenario does Rouhani become more powerful.

THEORY OF THE CASE?

Even if a nuclear deal does somehow strengthen Rouhani, it is by no means clear that he would press for change in other objectionable Iranian policies. In the White House, one popular "theory of the case" is that a nuclear accord would strengthen Rouhani's hand and, over time, give him more authority on issues over which he now has little say, such as Syria and Iraq. The presumption is that, much like his handling of the nuclear file, he will want to find ways to normalize Iran's relations with the rest of the world.

Perhaps so, but thus far Rouhani has been a man of the system. He may see little reason to modify the regime's support for terrorism and destabilization of neighbors, much less its human rights stance at home. His public speeches have certainly provided no indication that he would change Tehran's problematic nonnuclear policies.

In any case, Washington can do little to influence which post-deal scenario comes to pass inside Iran, optimistic or pessimistic. So much depends on Iran's internal political dynamics, in which the United States is at most only a minor player. Since there are no guarantees that an agreement will lead to change in Iranian policies outside the nuclear realm, any deal should be evaluated based on its impact on the nuclear impasse, not on its putative benefits on other issues. In short, it would be inappropriate for Washington to enter into a nuclear deal because of its expected impact on overall bilateral relations.

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