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## *Middle East Analysis Report*

In May 2018, the US withdrew unilaterally from the Iran nuclear deal and imposed extremely severe economic sanctions on Iran under their “maximum pressure” policy. Conversely, in July 2019, Iran embarked on the partial suspension of the deal. From the recent movements on the Iranian side, it appears as if they will inevitably be isolated by the US, but the situation can be seen differently by thinking from the Iranian position. Researcher Aoki analyzes the problem and its context.

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### **Iran’s Hardline Posture Regarding the Iran Nuclear Deal —The context and other aspects, with a focus on domestic factors—**

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On May 8, 2019, President Rouhani, having set a 60-day grace period, announced the partial suspension of the execution of the Joint Comprehensive Plan of Action (JCPOA). While enacting this suspension, Iran exceeded the 300 kilograms enriched uranium limit stipulated by the JCPOA<sup>1</sup> on July 1 and announced on July 7 that it would raise uranium enrichment levels to 3.67% or above, in response to its needs.<sup>2</sup>

The context to the decision by Iran to take this hardline stance may be domestic pressure on the moderate-conservative Rouhani administration by the conservative faction. In this paper, after clarifying the position of the

<sup>1</sup> For details see the “Middle East Kawaraban” 2019 No. 59 ([https://www.meij.or.jp/kawara/2019\\_059.html](https://www.meij.or.jp/kawara/2019_059.html))

<sup>2</sup> For details see the “Middle East Kawaraban” 2019 No. 60 ([https://www.meij.or.jp/kawara/2019\\_060.html](https://www.meij.or.jp/kawara/2019_060.html))

conservative faction with respect to the JCPOA, the context surrounding Iran's hardline stance on the JCPOA and the prospects will be elucidated from, primarily, internal and economic perspectives.

### 1. Domestic Opposition to the JCPOA

The Iran nuclear problem began with the exposure, by the Mojahedin-e Khalq Organization (MKO), an anti-government group, of the existence of the ongoing construction of a uranium enrichment facility by the Iranian government in central Natanz, in August 2002. The international community subsequently made some progress in convincing Iran to allow observation by the International Atomic Energy Agency (IAEA) while also guaranteeing Iran's right to the peaceful use of nuclear technology.<sup>3</sup> However, in concurrence with the Bush administration's 2005 policy change to no longer recognize this peaceful use of nuclear technology, the conservative administration of Ahmadinejad began, and efforts to resolve the Iranian nuclear problem were essentially stuck in place for a long period of time.

In August 2013, the moderate-conservative Rouhani was elected in the 11<sup>th</sup> presidential election. Rouhani employed the career diplomat Mohammad Javad Zarif, who had spent a long time in the United States and served as ambassador to the UN, as Foreign Minister and granted him considerable discretionary powers, and it appeared that Iran was ready to engage in nuclear negotiations. However, members of the domestic conservative faction were unequivocally opposed to such negotiations.

For example, on October 11, 2015, the conservative representative Ruhollah Hosseinian made the following threat to Ali Akbar Salehi, the head of the Atomic Energy Organization of Iran, while the Iranian Consultative Assembly was in debate.

*If the Comprehensive Agreement is executed, I'll murder you by submerging your face in cement and drowning you in the heavy water of the reactor in Arak.<sup>4</sup>*

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<sup>3</sup> For details, see the work below. Takuya Murakami "Points of Dispute in the Iranian Nuclear Problem and Prospects for Future Negotiation" 'Middle East Analysis Report' No. R14-005, 2014. [Limited to members] ([https://www.meij.or.jp/trend\\_analysis/report/2014.html](https://www.meij.or.jp/trend_analysis/report/2014.html)).

<sup>4</sup> *Shargh*, October 12, 2015.

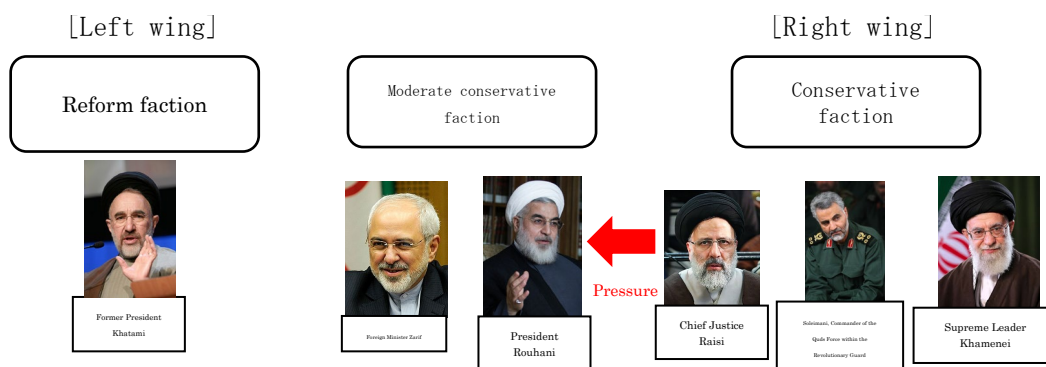
Iran had accepted the curtailment of its nuclear fuel cycle plans' scale as compensation for the easing of the sanctions imposed by the UN Security Council and the EU. This kind of conservative criticism was based on the fear that Iran had paid too much in compensation for what it received and that the US could not be trusted so easily.

At the time of the second period of the Ahmadinejad administration (2009-2013), due to the economic sanctions imposed unilaterally by the US, along with those imposed by the UN Security Council and the EU, Iran's oil exports were considerably restricted, the value of its currency had declined, inflation had increased, and the economy had foundered. President Rouhani, who called for an economic revitalization and the stable continuation of the system, was elected as a result. President Rouhani considered the certain implementation of the JCPOA to be indispensable to economic revitalization. Hence, with the agreement of Supreme Leader Khamenei, he obtained the cooperation of the moderate-conservative Speaker of the Assembly, Ali Larijani, and completed other necessary procedures, including obtaining the approval of the Assembly.

## 2. Pressure from the Conservative Faction

Pressure on the Rouhani administration from the conservative faction was a major factor in President Rouhani's decision to partially suspend the execution of the JCPOA. Although the conservative faction, which viewed the JCPOA with suspicion, was forced to the sidelines by President Rouhani's victory in the 2013 presidential elections, they maintained significant influence in the political world, much as they had before (See Figure 1).

Figure 1: Summary of political forces within the government



(Source: Created by the author.)

Supreme Leader Khamenei may hold a skeptical view of the JCPOA, but he fundamentally listens to the opinions of the conservative and reform factions while maintaining control of the government. However, in May 2018, when the US unilaterally withdrew from the JCPOA and strengthened the economic sanctions on Iran, the conservative faction's influence increased, beginning with the Revolutionary Guards, who had been critical of the JCPOA. On March 8, 2019, in a move considered to reflect Khamenei's views, Ebrahim Raisi, who ran against Rouhani in the 12<sup>th</sup> presidential election, was appointed Chief Justice. This act had considerable implications on the expansion of the power held by the conservative faction. Next, another change that indicates the expansion of the conservative faction was the increase in influence gained by Qasem Soleimani, the Commander of the Quds Force of the Revolutionary Guards, who had obtained military advantages in collaboration with Hezbollah and Shia military groups in Syria, while dealing with the foreign problem of the US.<sup>5</sup> For example, on February 25, 2019, Commander Soleimani was present when Syrian President Assad visited Tehran on short notice and conferred with Supreme Leader Khamenei, but there was no sign of Foreign Minister Zarif.<sup>6</sup>

### 3. The Worsening Economy

At present, the economic sanctions have not been removed, and the economic situation is worsening. This is the reverse of what President Rouhani had stated in his goals during the 11<sup>th</sup> presidential election, which places him in a difficult spot, domestically. After the US withdrew from the JCPOA, in August 2018, it initiated the first phase of sanctions on Iran, which placed sanctions on the purchase, reservation, issuance, and intermediation of Iranian government bonds, the large-scale trading of Iranian currency, transactions related to the Iranian automobile industry, and so on.<sup>7</sup> Subsequently, in November that year, the second round of sanctions on Iran

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<sup>5</sup> "Revolutionary Guards commander flexes political muscle," *Reuters*, March 5, 2019, <https://www.reuters.com/article/us-iran-soleimani-newsmaker/revolutionary-guards-commander-flexes-political-muscle-idUSKCN1QM1BW>, accessed on August 8, 2019.

<sup>6</sup> Considering this, on the next day, the 26<sup>th</sup>, Foreign Minister Zarif announced his resignation on Instagram. However, the government subsequently intervened and he remains in his post.

<sup>7</sup> For details see the "Middle East Kawaraban" 2018 No. 47 ([https://www.meij.or.jp/kawara/2018\\_047.html](https://www.meij.or.jp/kawara/2018_047.html)).

were announced, and, although a six-month extension on oil trading was provided to eight countries,<sup>8</sup> other countries were prohibited from importing Iranian oil. Further, sanctions were imposed on transactions with the Iranian Department of Energy, transactions related to Iranian oil, transactions between Iranian financial institutions and foreign financial institutions, and so on.<sup>9</sup> Oil trading was the last ray of economic hope, but in May 2019 the measures providing exceptions for the prohibition of oil importation were entirely removed,<sup>10</sup> putting even greater external pressure on Iran.

The drop in the value of the rial following the US withdrawal from the JCPOA was steep. In April 2018, 1 dollar traded for 51,200 rials. On May 8, 2018, this fell to 64,500 rials and continued to fall precipitously to as low as 190,000 rials in September that year (a quarter of its previous value).<sup>11</sup> At the same time, the consumer price index rose and unemployment began to trend



Image 1: A protest against impoverishment such as a poor economy, high prices, unemployment, and so on (August 3<sup>rd</sup>, 2018, in the capital, Tehran) (Source: From a social network service)

upward. In June and August of 2018, protests broke out against this impoverishment in every major city, including Tehran, Isfahan, Shiraz, Mashhad, and others (See Image 1). President Rouhani, as if keeping pace with the worsening economy, has steadily lost the support of the people, with some figures showing that he now has the support of 10% of the population, or less.<sup>12</sup> For President Rouhani, it is important for him to show the public that he is working as diligently as possible to obtain the economic benefits initially promised by the JCPOA.

#### 4. Interpreting the JCPOA Regulations

One more reason that Iran must show a hardline stance is that the partial

<sup>8</sup> These eight countries were China, India, Italy, Greece, Japan, Korea, Taiwan, and Turkey.

<sup>9</sup> For details see the “Middle East Kawaraban” 2018 No. 80

([https://www.meij.or.jp/kawara/2018\\_080.html](https://www.meij.or.jp/kawara/2018_080.html)).

<sup>10</sup> For details see the “Middle East Kawaraban” 2019 No. 21

([https://www.meij.or.jp/kawara/2019\\_021.html](https://www.meij.or.jp/kawara/2019_021.html)).

<sup>11</sup> *Bonbast: Live exchange rates in Iran's free market*, <https://bonbast.com/graph/usd/2018-01-01/2019-07-31>, accessed on August 5, 2019.

<sup>12</sup> Rohollah Faghihi, “Rouhani out of time, support for revised nuclear deal,” *Al-monitor*, July 13, 2019, <https://www.al-monitor.com/pulse/originals/2019/07/iran-us-tensions-sanctions-instex-eu-rouhani.html>, accessed on August 8, 2019.

suspension of the execution of the JCPOA can be interpreted as a legitimate action in accordance with JCPOA. The JCPOA is based on a concept of “reciprocity,” wherein the international community accepts Iran’s nuclear development plans as legitimate and, in return, Iran accepts considerable restrictions on its nuclear development under the definite promise that sanctions will be lifted.<sup>13</sup> As a result, although Iran views the efforts to initiate INSTEX<sup>14</sup> and so on, by the various countries party to the JCPOA, as a positive development, it has also asserted that these efforts are insufficient, as the articles that are subject to INSTEX are limited to humanitarian aid (food, medicine, etc.).

Iran claims that the partial suspension of the execution of the JCPOA is secured under Articles 26 and 36 of the JCPOA regulations. The following clause is included in Article 26 of the JCPOA.

*Iran has stated that it will treat such a re-introduction or re-imposition of the sanctions specified in Annex II, or such an imposition of new nuclear-related sanctions, as grounds to cease performing its commitments under this JCPOA in whole or in part.*

The partial suspension of the execution of the JCPOA in July 2019 aligns with a reading of this Article that views such steps as within the scope of the rights held by Iran and asserts that criticism from the international community should therefore, be limited.

## 5. Future Developments

As the prohibition of Iranian oil exports and other similar measures will probably not be lifted soon, it is unlikely that a sudden solution will be found, such as a dramatic improvement in US-Iran relations or a miraculous break in the deadlock caused by Europe. Thus, the focal points have become (1) whether Europe will provide a means to rescue the agreement by expanding the items covered by INSTEX, or some other means, and (2) how the next presidential election in the US, which is waging economic war against Iran,

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<sup>13</sup> *Joint Comprehensive Plan of Action*, July 14, 2015, <http://www.europarl.europa.eu/cmsdata/122460/full-text-of-the-iran-nuclear-deal.pdf>, accessed on August 6, 2019.

<sup>14</sup> An abbreviation for Instrument in Support of Trade Exchanges. This is an SPV (Special Purpose Vehicle) different from US dollars or SWIFT established by the European nations to promote trade with Iran.



will play out.

Regarding (1), if symbolic measures to provide aid that the conservative faction can accept are put in place, it will improve the outlook for maintaining the JCPOA. Iran strongly desires the normalization of its oil and banking transactions,<sup>15</sup> so attention must be paid to whether improvements will occur in these two industries. Concerns about whether the UK will emulate the US in imposing anti-Iran measures are a destabilizing element. However, on August 15 of this year, British Gibraltar decided to release the Iranian ship *Adrian Darya 1* (formerly *Grace 1*), implying that the possibility remains that the European nations may work together to keep a path open for saving Iran. However, unless symbolic aid measures are taken by the nations involved in the JCPOA, from a domestic standpoint, there is a high likelihood that the Rouhani administration will continue the partial suspension of the Agreement's execution while engaging in negotiations with the nations involved in the JCPOA.

Regarding (2), if the incumbent candidate, President Trump, is reelected in the US presidential election scheduled for November 2020 (to assume the office in January 2021), it is probable that the gap between the US and Iran will only widen further. However, if the Democratic Party nominates a plausible candidate and controls the election then US policy on Iran may change. In either case, President Rouhani appears to be working to extend the JCPOA until at least January 2021 while sticking to a hardline stance.

However, if the conservative faction expands its influence prior to the US presidential election, the possibility cannot be ignored that the Rouhani administration will find conservative pressure overwhelming and be unable to maintain the JCPOA. In addition, given the increase in military tension in the Persian Gulf, it is possible that an accidental collision may make the situation even more dire. At present, Iran may adopt a policy of surviving the current predicament by exporting oil to China and by expanding and maintaining trade with neighboring countries, such as Iraq, Turkey, and so on.

Last July, Iran established a 60-day grace period (until around September

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<sup>15</sup> On August 6, 2019, President Rouhani conveyed this information to French President Macron during a telephone call. *Rādyo-e Fardā*, August 6, 2019, <https://www.radiofarda.com/a/macro-rouhani-oil-banking/30096377.html>, accessed on August 8, 2019.

6<sup>th</sup>) to prompt a serious response from the nations involved in the JCPOA. The situation going forward is still in flux, but in understanding the situation surrounding Iran it is vital to accurately interpret signals coming from Iran and understand the context behind Iran's decision to take a hardline stance with respect to foreign powers.

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