

Prospects for Democratization in Iran: Policy Implications

DARIUSH ZAHEDI*

ABSTRACT

The breakdown or modification of the Islamic Republic, though not imminent, is increasingly conceivable. However, in the event that the regime were to fall, Iran is bereft of many of the social and economic requisites for a stable democracy to emerge. About 80% of the Iranian economy is in the hands of the state, the private sector is dependent and feeble, and the 70% of the Iranians that are under the age of 30 are neither propertied nor middle class. This has implications for US policy, made all the more urgent by the timeline imposed by the looming nuclear issue. Rather than experiment with ineffectual and counter-productive attempts at democracy promotion, this study suggests that a policy of long-term international diplomatic and economic engagement is the best available tool for transforming Iranian society and politics in such a way that a transition to a sustained and stable democracy and, by implication, a resolution of Iran's nuclear issue, becomes more likely.

The most pressing challenge created by the United States' failure to create a friendly, stable and prosperous ally in Iraq is how to deal with Iran. By removing Iran's chief military threat and failing to credibly replace it, the US has opened the door to an expansion of Iranian power and influence in the region. Coming at a time when Iranian ultra-conservatives are ascendant, reformists are in disarray, and the nuclear program is reaching the point of no return, the problem is increasing in both its urgency and intractability. While the imperatives of thwarting Iran's nuclear ambitions and dampening its influence in Iraq, Lebanon and the Palestinian Territories remain, the strategic environment has become much more complex and fluid, and the US's influence over actors and events promises to be much less decisive than in the past.¹ Given Iran's increasing strategic importance, having a compliant regime in Tehran matters now more than ever.

* Institute of International Studies, University of California at Berkeley; Zirve University, dzahedi@berkeley.edu

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In seeking to engineer this outcome, the Obama Administration, in contrast to the Bush Administration that had sought to isolate, contain and weaken the Islamic Republic, has endeavored to promote dialogue with Iran while bolstering democratic elements within Iranian

society. When, in the spring of 2003, Iran sent a secret letter to the Bush Administration detailing a proposal for comprehensive negotiations,² Vice-president Cheney's office, bent on a policy of regime change, thwarted the idea. However, even before the inauguration of the Obama Administration, the United States decided to break the historic taboo on high-level meetings with Iranian officials, and has now abandoned its refusal to engage Iran unconditionally. In the event that diplomacy fails to dissuade Iran from exchanging its low enriched uranium for moderately enriched uranium, the Obama Administration has pledged to seek targeted sanctions against the Islamic Republic. Even after the imposition of such sanctions, however, the administration will continue to leave the door to engagement and diplomacy open. At the same time, though, the options of regime change or military action will still remain "on the table." Meanwhile, the State Department has established a new office devoted solely to fostering political change in Iran and dramatically increased its democracy promotion efforts, allocating \$75 million for television and radio broadcasts, exchange programs and strengthening Iran's civil society. In short, the strategy remains one of engaging the current regime, while grooming indigenous opposition groups as potential democratic successors.

This strategic vision operates on two assumptions: First, that the breakdown or modification of the Islamic Republic, though not imminent, may finally be appearing on the horizon. Second, that the eventual modification or annihilation of the Islamic Republic could result (as in the scenario touted for Iraq prior to the invasion) in the establishment and consolidation of a democratic partner for the United States in Iran. Upon closer examination, the first assumption turns out to be probable, while the validity of the second appears to be more tenuous. Indeed, in the event that the regime were to fall, Iran is bereft of many of the social and economic requisites for a stable democracy. About 80% of the Iranian economy is in the hands of the state, the private sector is dependent and feeble, and the 70% of Iranians under the age of 30 are neither propertied nor middle class. In the meantime, the state is becoming even more powerful as it tightens its stranglehold over the Iranian economy and an increasing number of the middle class becomes

a client to the state. Moreover, a political culture of consensus and compromise has not as yet become ingrained, even among the elite.

In what follows, it will be argued that in the event of regime change or modification, these structural impediments to democracy are more likely to lead to the kind of elected authoritarianism we see today in Russia rather than a transition to liberal democracy. This has implications for US policy, ones made all the more urgent by the time line imposed by the looming nuclear issue, which threatens to overwhelm prospects for cooperation and reconciliation between the Islamic Republic and the West.

The point is not that a transition to democracy would be impossible (indeed like most other analysts I believe it eventually to be highly likely), but rather that several of the structural conditions favoring the consolidation and institutionalization of democracy do not currently exist, and thus crude attempts at confrontation and regime change may actually impede urgently needed progress towards this goal.

Rather than experiment with ineffectual and counterproductive attempts at democracy promotion, this study suggests that a policy of long-term international diplomatic and economic engagement is the best available tool for transforming Iranian society and politics in such a way that a transition to sustained and stable democracy and, by implication, resolution of Iran's nuclear issue, becomes more likely.

Breakdown or Modification, Not Imminent, But Increasingly Conceivable

In light of the events that shook Iran in the aftermath of the 2009 contested presidential election, some believe that conditions in Iran today are either ripe or rapidly becoming conducive for regime change or modification through popular uprising. Comparisons are increasingly being drawn between the Islamic Republic's rising levels of illegitimacy and the fragility of the Shah's regime in the late 1970s.

Indeed, from the perspective of regime survival, Ayatollah Ali Khamenei's decision to give unequivocal backing to the demands of the hardliners in charge of ensuring Mahmoud Ahmadinejad's reelection and the generals' monopoly over the nation's key political and economic institutions was filled with risk. Although his choice in the matter may have been limited, Khamenei's actions appear to have irrevocably alienated a vast cross-section of the Iranian population from the regime.

The disjunction between the majority of the youth and the regime is likely to expand further during the second Ahmadinejad Administration as social and economic conditions deteriorate

Moreover, as the massive anti-regime demonstrations in most of Iran's major cities, which erupted again during political and religious holidays in September, November, and December of 2009, illustrate, the formula adopted by the regime for preserving stability has been only partially effective. Indeed, nine months of heavy-handed and repressive tactics,

designed to cow the opposition into silence, appear to have backfired. Though the number of demonstrators may have plummeted from a peak of three million on June 15, the demonstrators' demands have become more radical. If, in the immediate aftermath of the disputed presidential elections, the rallying cry of the demonstrators was the annulment of the election results, many of them are now casting aspersions on the very concept of rule by the supreme jurist, which lies at the cornerstone of Iran's constitution.

Nevertheless, although a harbinger of greater social and political unrest, Iran's current standoff does not mean that a regime collapse followed by a subsequent enduring democratic order is imminent. To the contrary, since both sides in this dispute are endowed with potentially formidable political resources and appear unwilling to back down, confrontation and turmoil appear to be the order of the day for the foreseeable future.

The most important sources of the hardliners' power are military and economic. Hardliner leadership already controls the state's security apparatus, notably the Islamic Revolutionary Guards Corps (IRGC), an elite military force made up of approximately 125,000 (as estimated by the International Institute of Strategic Studies in London) draftees and charged with preserving the revolution. More importantly, the IRGC's appendage, the volunteer *basij* forces (which according to most estimates number up to three million individuals) are also under the control of the hardliners. The *basij*, who are renowned for their unswerving devotion to Ayatollah Khamenei, up to now have taken the leading role in suppressing demonstrations.

From the perspective of the regime, relying on drafted soldiers from the IRGC or the regular armed forces for the quelling of demonstrations could be hazardous. Likely to identify with the individuals they are ordered to suppress, soldiers could become insubordinate, and defect to the side of the demonstrators. The *basij* forces, however, have proved up to now to be quite reliable.

Thanks to the efforts of Mahmoud Ahmadinejad during the past four years, the leadership of the IRGC and the *basij* already control a large portion of the roughly 80% of the Iranian economy that is still state-owned. Now, with their consolidation of power over virtually all remaining state organs almost complete, they will add revenues from the crucial hydrocarbon industry to the lucrative rents they already derive from a significant proportion of the country's legal and illegal foreign trade.

The opposition, meanwhile, makes up for its disadvantages by its sheer numbers as well as its intellectual and managerial capacity. Anecdotal evidence suggests that a vast proportion of the youth, the educated, the urbanites, the middle class, and even segments from the lower class and the rural population of Iran sympathize with the opposition's stated objective of lifting social and personal restrictions, institutionalizing the rule of law, promoting civil and human rights, improving ties with the outside world, and liberalizing the nation's political and economic structures. The youth, who have consistently been at the forefront of demonstrations, constitute the majority of Iran's 74 million people, with roughly 70% under the age of 35.

To a large extent, the regime's success in educating its population has turned out to be its undoing. Indeed, the number of individuals with college and university degrees, which presently stands at about seven million, is increasing rapidly, with three million students currently enrolled in postsecondary institutions. Moreover, about 97% of those between the ages of six and 29 are literate, and roughly 70% of the Iranian population lives in urban areas

The disjunction between the majority of the youth and the regime, which is already wide, is likely to expand further during the second Ahmadinejad Administration as social and economic conditions deteriorate. With his erratic, unscientific, and ad hoc fiscal and monetary policies, Ahmadinejad managed to exacerbate all of the structural flaws of the Iranian economy during his first term. As a result, the trajectory of inflation, unemployment, mismanagement, inefficiency, and poverty, as well as the disparity of wealth and income, have all been on the rise.

If anything, these troubles are likely to become compounded during Ahmadinejad's second term due to rising levels of political risk, brain drain, capital flight, and international isolation. As in the past, the youth will have to bear the brunt of all of these problems, while being subjected to heightened levels of censorship and repression.

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In the meantime, as in the recent demonstrations, the Green Movement undoubtedly will be on the lookout to tap into rising frustrations by taking advantage of national and religious commemorations to bring its supporters into the streets. At the same time, the position of the opposition could become enhanced if, as seems likely, schisms and

fragmentations within the ruling conservative camp continue unabated. The opposition also could become strengthened if the religious establishment, especially the grand ayatollahs, becomes vocal in its denunciation of the government's actions and policies.

Moreover, if the opposition manages to make common cause with the expanding numbers of blue-collar workers who are becoming redundant by the day due to deteriorating economic conditions, it will manage to enlarge its social base and improve its prospects. In spite of its wide appeal, the Green Movement has thus far been a largely middle class and youth phenomenon. The alliance between the Green and "Blue" waves, were it to come about, could potentially pose a devastating challenge to the hard-line leadership of the Islamic Republic.

Nevertheless, so long as the majority of the leadership and rank-and-file members of the coercive apparatus remain loyal, the present configuration of the regime's ruling elite would be able to sustain its hold on power. Furthermore, there have thus far been no indications that either Ayatollah Khamenei or the leadership of the Revolutionary Guards is interested in pursuing a negotiated settlement with the opposition. The IRGC are fully cognizant that one of the primary objectives of even the most moderately inclined and reformist elements of the Green Movement is civilian control of the armed forces as well as the systematic dismantling of the Guards' economic and political power. It is no wonder, then, that the leadership of the IRGC views compromise with suspicion, regarding it as the road to eventual obsolescence and annihilation. The removal of the Guards from power, therefore, is unlikely to be voluntary, and is likely to come about only in the face of desertions and defections of the rank and file and junior officers of the coercive and security apparatus to the side of the opposition.

However, there have so far been virtually no credible reports of serious dissidence and insubordination in the ranks of the Iranian armed forces, indicating that the Green Movement has a long and dangerous road to traverse before achieving

its objectives. The prospects of success will depend not just on the emergence of fissures in the security structure, but the extent of those divisions. An insufficiently large crack could easily lead to a long period of civil strife and internal warfare, which could, regrettably, pave the way for the unleashing of centrifugal forces that can lead to the unraveling of the country, rather than its democratization.³

Continued repression and the regime's refusal to compromise are likely to further radicalize the rank-and-file members of the Green Movement

Still, up to now, the fact that the disparate movement has survived, expanded, and spread to the four corners of the country in spite of the regime's attempts to cow the opposition into silence is a major accomplishment. This accomplishment is all the more impressive in light of the fact that the expansion as well as the coordinated actions of the Green Movement have thus far occurred without the existence of a singular charismatic leader or an explicit and coherent ideological stance. Indeed, even the nominal heads of the movement, Mir Hossein Moussavi (who served as Iran's prime minister during the Iran-Iraq war and was the victim of the fraudulent presidential election on June 12, 2009) and Mehdi Karroubi (who twice served as the speaker of Iran's parliament, in 1989-1992 and 2000-2004), have acknowledged that so far they have acted more like figure heads of the movement rather than its leaders. They have also made it abundantly clear that instead of inspiring their followers and organizing and coordinating their actions, they have simply been responding to their demands and coordinated actions. Nevertheless, continued repression and the regime's refusal to compromise are likely to further radicalize the rank-and-file members of the Green Movement, and the nominal heads will either have to adopt, or be swept away by a younger generation of more energetic and less compromising leaders.

Prospects for Liberal Democracy

In the event that the Islamic Republic were to fall or become more democratic by making its current constitution more compatible with pluralism and democracy without the instigation of a prolonged and bloody civil conflict, there are no guarantees that democracy will endure and become consolidated in Iran. This is not to argue that Iran is bereft of conditions favorable to the sustenance of democracy. As has already been noted, Iran's population today is more literate, educated, urban, and globalized than at any time in the nation's 3,000-year history. At the same time, the negative experiences associated with both secular and religious despotism seem to have sensitized a large proportion of the population to the per-

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leftist ideologies, of both secular and religious varieties, which championed violent confrontation and were so popular among educated youth in the pre-1979 era, have generally lost their allure. Instead, the members of the Green Movement today, in spite of their ideological diversity and varying levels of adherence to religious precepts, tend largely to coalesce in championing the cause of democracy, pluralism, and human rights. The differences relate to the preservation or modification of the current system, and the adoption of a secular vs. a religious democratic order.

Nonetheless, given the current configuration and trajectory of socioeconomic trends, there are strong structural impediments to a sustained transition to liberal democracy. The most significant constraining variables are the nature of the Iranian economy, the minuscule size as well as the largely dependent nature of its private sector, and, most crucially, the comparatively small number of Iranians under the age of 30 who belong to the ranks of the propertied middle class.

The Oil Curse

Comparative studies show that rich endowment with natural resources, particularly hydrocarbons, has a number of effects that are inimical to democracy: the “rentier effect”, in which political obedience is purchased by the regime through high social benefits and low taxes; the “repression effect”, in which the state uses resource revenues to construct a formidable coercive apparatus; and a “modernization effect”, in which income from natural resources circumvents the need for true industrialization and the concomitant social transformations, such as the development of an independent entrepreneurial middle class.⁴

These effects are highly relevant to the case of Iran, where the fact that the state derives a staggering 70% of its revenues from the sale of oil has had a num-



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ber of inter-related repercussions. By providing the regime with an independent source of income, it has enabled it to create a formidable coercive apparatus to keep the undesirable elements of civil society at bay. At the same time, it has made it possible for the regime to provide generous support to the anti-democratic components of Iranian civil society that are increasingly beholden to the most militant members of the ruling elite. Moreover, it has allowed it to disperse patronage jobs (frequently of middle-class nature) and inducements within and through the bureaucracy in order to keep its clients content. This has resulted in the mushrooming of the bureaucracy and the virtual emasculation of the private sector. Oil revenues have, in short, empowered the most vehement anti-democratic elements within the state at the expense of the modernist and democratic components of civil society and the private sector in Iran. If democracy is to become institutionalized in Iran, the economy would have to become much more diversified, the state would have to derive the preponderance of its revenues from taxation rather than rents, and the private sector has to become far larger and independent of the state, accounting for the bulk, rather than a fraction, of the economic transactions in the country.

The Bloated State

Riding on a wave of oil revenues, the public sector in Iran has expanded exponentially in the past three decades. Directly or indirectly, the state sector now controls roughly 80% of Iran's economy, keeping on its annual payroll close to 2.5 million employees – excluding those affiliated with the armed and security forces as well as the numerous parastatal foundations. As a result, not much room has been left for the development of a robust private sector, the activities of which have now been relegated to areas that have not as yet been infringed upon by the state. Even the 20% of the economy that is nominally in the hands of the private sector is not entirely independent of the state sector. To maximize the chances of its success and survival, it frequently has to cooperate and align itself with either the members of the ruling elite and their relations or the different organs of the state.

The Middle Class: A Trojan Horse?

Those who argue that Iran is one of the most suitable countries in the world for making a sustained transition to liberal democracy frequently buttress their argument by pointing to Iran's "sizable" and "burgeoning" middle class.⁵ They fail, however, to take into account the nuances surrounding the nature of Iran's middle class. While Iran does have a propertied middle class, its size is relatively small when compared to those of the East Asian as well as Southern European countries at the time of their transitions to democracy. Moreover, a considerable portion of Iran's middle class remains dependent on and beholden to the state (recall that the state controls 80% of the economy). Finally and more importantly, the overwhelming majority of Iran's 16- to 35-year-olds, the largest segment of the population and who would have to be the backbone of the democratic system, is neither propertied nor middle class.

The post-revolutionary population explosion, which has doubled the country's population in the past three decades, has further exacerbated the problems surrounding the development of a modern, independent middle class in Iran. During the Khomeini decade (1979-1989), roughly two million children were born every year. These individuals are now coming of age (the median age in Iran is 23) and entering either the job market or centers of higher education. Already the economy is hard pressed to create sufficient jobs to keep unemployment rates from rising further. Moreover, the majority of the jobs that the economy does create are not well-paying, middle-class jobs. From 1997 to 2001, for instance, the share of unemployed individuals with high school and university degrees to the total number of unemployed increased by 27%. Meanwhile, during the same time

period, the share of illiterate and semi-literate unemployed individuals among the total unemployed fell by nearly 20%.⁶ Based on current trends, therefore, the Islamic Republic's unemployment crisis and middle class deficit is poised to get worse before it gets better as the infusion of baby boomers into the job market and the underperformance of the economy continue unabated.

Socioeconomic Requisites: Liberal Democracy or Soft Fascism?

Iran today is faced with a peculiar condition in which its youthful population has become increasingly literate, urbanized, interconnected, even globalized – in tune not just with the events transpiring inside Iran, but much of the rest of the world. As a result, the youth's expectations have become heightened. These expectations, however, revolve around primarily economic and secondarily social and personal demands. Although there is no doubt that a large proportion of the youth currently favors a democratic and pluralistic order elected by majority vote that would expand the range of social and personal freedoms, there are troubling signs regarding their level of commitment to the perpetuation of such an order. According to a survey conducted by Iran's National Youth Organization in 2005, 77.5% of Iranian youth say that "money" is the most important thing in life.⁷

Optimists about the prospects for Iranian democracy sometimes point to the flowering of civil society under President Khatami as evidence that democratic change is imminent. However, even aside from the fact that civil society has been largely repressed and driven underground since the conservatives won back the parliament (in 2004) and the presidency (in 2005), civil society alone is not sufficient to create a democratic opening. Historical experience shows that civil society activism is rather a secondary force that can take advantage of more open conditions created by broader social, economic or political changes.⁸ Moreover, an abstract commitment to democracy has historically been no match for more concrete ideologies with mass appeal, such as socialism, nationalism and religious movements. Robust, long-term democratic transformation has succeeded when democracy has become associated with such popular ideologies,⁹ On the other hand, as the history of Iran itself illustrates, such ideologies also have the capacity of helping to undermine and extinguish democratic experiments. Moreover, disillusionment with other forms of government is rarely enough by itself to lead to an embrace of democracy.¹⁰ Instead, there may be more accessible political paths of least resistance for Iran to follow in the event of the clerical regime losing control.

Given the predilections of the youth, conditions arguably are ripe in Iran not for liberal democracy but for soft fascism. Ardently nationalistic in outlook, young

people in Iran may be more ready to lend their support to and embrace a strong Putin-like figure who promises and manages to improve the conditions of the economy, manipulates symbols of Iranian nationalism, and lifts the bothersome restrictions on their social and private lives. Improvements in economic conditions and social liberalization can both be achieved without liberal democracy. Ahmadinejad's numerous economic failings may have only served to increase the willingness on the part of the youth to embrace one who can do better on this front, with or without democratic credentials, so long as he manages to remove the irksome restrictions on their social and private lives. In terms of regional security, historical experience also suggests that regime change and democratization under current circumstances could favor the rise of a belligerent nationalist leader who may even lead the country into war.¹¹ The regional instability fomented by the US misadventure in Iraq would provide such a leader with no shortage of opportunities.

Policy Recommendations

In light of the unprecedented crisis that has gripped the Islamic Republic in the aftermath of its fraudulent presidential election in June 2009, prospects for regime change or modification in Iran have improved. However, even if the regime were to become modified or fall and initially be replaced by a nominally democratic order, which would be the best mechanism for alleviating concerns about the nation's nuclear program, what is the likelihood for the sustainability and endurance of such an order? The continuation of Iran's civilian nuclear program appeals to the nationalist sensibilities of the Iranian masses, who seem to overwhelmingly lend their support to it. Opinion polls, however, suggest that the majority of Iranians are currently opposed to the weaponization of the program. Meanwhile, the current nominal heads of the Green Movement, Mir Hossein Mussavi and Mehdi Karroubi, who are expected to play dominant roles in the post authoritarian period, tend to echo the prevailing predominant sentiment among the masses. They will continue the civilian nuclear program, but are adamantly opposed to weaponization, and will do their utmost to increase cooperation with the International Atomic Energy Agency (IAEA) in order to restore trust and promote transparency.

But the analysis presented in this study has drawn attention to a number of formidable constraining variables that have the potential of undermining the consolidation of democracy in Iran. In formulating its policy towards Iran and the Persian Gulf region, therefore, the US should be cognizant not just of the frailties of the Islamic regime but the constraints against the endurance of democracy in Iran in a post-Islamist order.

Freed from the threat of its traditional foe in Iraq and increasingly unsure of its ability to suppress internal dissent, the Islamic Republic now views the United States as the most formidable challenge to its security and survival. It is unrealistic, therefore, to expect Iran to cooperate in Iraq's stabilization process, knowing full well that should Iraq become more tranquil, the US would then be in a position to concentrate on helping to oust the Islamic regime. Thus, the sooner the US takes the option of regime change off the table – and the sooner it realizes that establishment of a liberal democracy in Iran may not be viable given the country's current socio-economic structure – the sooner will it be able to adopt a more rational and realistic policy towards Iran.

Iran is far more advanced, globalized and digitally connected than many of its Middle Eastern neighbors. It is also the inheritor of a century-old movement for the institutionalization of popular sovereignty and the rule of law (going back to the Constitutional Revolution of 1906-7). But, as outlined above, it is still bereft of many of the socioeconomic prerequisites for the establishment of a stable and enduring democracy. Therefore, if the US is truly interested in democratizing Iran, and thereby removing the menacing nature of the country's nuclear program, it should focus on removing the structural impediments to democratization in the country. The present travails of the US in Iraq have amply demonstrated the absurdity of establishing democracy through conquest. By contrast, greater economic interaction and engagement with Iran can help to strengthen the propertied middle class. This middle class, in turn, can empower the modernist segments of the Iranian civil society at the expense of the state, and thereby set the stage for an enduring transition to a more democratic order.

More importantly, the US should push for Iran's integration into the global economy. Becoming integrated in the global economy would help to reduce the role of the state in managing the country's economic affairs. It would also generate employment opportunities for the vast numbers of Iranian youths who are educated but currently unable to find gainful employment. By strengthening the private sector and the independent middle class, Iran's integration into the global economy would mitigate two of the most important structural impediments in the country's quest for democratization.

Military action, by damaging but failing to halt Iran's nuclear program and inflicting suffering on the people of Iran, would simply provoke intense nationalist anti-Western sentiment

Critics of economic engagement argue that to do so would be to reward the Islamic regime for bad behavior, particularly now that the most militant elements are consolidating their hold on power through suppression of the more democratically inclined reform movement. While no one can dispute that Iran's behavior in the domestic and international arenas leaves much to be desired, this misses the point. Although the regime may reap some benefit in the short term from integration into the world economy, in the long term it is likely to be sowing the seeds of its own destruction, and should be encouraged to do so. International economic linkage can increase the pressure for political reform, as economic and technocratic elites with a vested interest in adhering to international norms mobilize in order to protect access to business, educational or employment opportunities.¹² Indeed, the regime is acutely aware of the dangers of opening the economy, as evidenced by the spirited debate between Iranian reformists and conservatives that was triggered when the US first mooted the idea of Iran joining the World Trade Organization (WTO) back in May 2005.¹³

From this perspective, the most – perhaps only – propitious aspect of the current situation is that the regime may be in desperate enough straits economically to gamble on opening to the outside world. It is not a risk-free strategy, but neither, to put it mildly, is further confrontation and military action – and economic engagement is at least backed by sound logic as to how it might transform Iranian society and politics in the desired direction. The exact opposite is true of continued isolation and military confrontation. Military action, by damaging but failing to halt Iran's nuclear program and inflicting suffering on the people of Iran, would simply provoke intense nationalist anti-Western sentiment, compel a large proportion of the Green Movement to close ranks behind the regime, bolster the most anti-democratic and militant elements within the regime, and reset the current crisis in a much more hardened state.

What about targeted economic sanctions, which are carefully calibrated to hurt the regime's leaders and organizations like the IRGC? Are they a sensible way to proceed? The US and the European Union are now arguing that such measures, which are "regime-hostile but people-friendly," will raise the cost to the regime of pursuing nuclear capability without inflicting further misery on ordinary people, and should therefore be adopted by the United Nations Security Council when it convenes shortly to vote on a fourth round of multi-lateral sanctions against Iran.

Such sanctions, however, are not an essential adjunct to a similarly "targeted" policy of economic and diplomatic engagement that seeks to draw Iran into the

global economic arena while ensuring the benefits that flow as a result are not sequestered at the top.¹⁴

Since the Guards now dominate virtually all aspects of the Iranian economy, sanctioning them will not prove to be

“people friendly.” It will instead further enrich and empower the Guards, which are adept at circumventing sanctions through their smuggling networks and front companies. In the meantime, the extra costs associated with the circumvention of the sanctions will be passed on to the Iranian people, who will become further enfeebled and dependent upon the Guards, which will utilize the opportunity to expand their already suffocating stranglehold over the economy. The imposition of additional sanctions will also enable the Iranian regime to use them as a means of scapegoating its own inept management of the Iranian economy.

At any rate, with China unlikely to sign on to such sanctions, unless they have been substantially watered down and rendered largely ineffective, the US and its most important European allies have already made it clear that they will band together in a “coalition of the willing” in order to impose their own punishing and draconian sanctions on Iran. Apart from targeting the financial and economic interests of the Guards, they are likely to take aim at the Iranian Central Bank and deny it the ability to draw upon international financial markets to finance imports by opening letters of credit.

While such sanctions will undoubtedly have some impact, their consequences will be most acutely felt by Iranian consumers and not the leadership of the regime. Moreover, a state-dominated economy like Iran is well able to withstand them, especially while the price of oil remains high.¹⁵ As economic analysts have noted regarding the collapse of the Soviet Union, high oil prices followed by a sudden and sustained drop, were instrumental in forcing the Soviet leadership into undertaking the economic restructuring program of *perestroika*.¹⁶ Thus, finding a way to reduce the price of oil might do more to weaken the Iranian regime than any other single measure the US could adopt.

Rather than imposing additional sanctions, which will further undermine Iran’s prospects for consolidating democracy, provide the regime with a facile scapegoat for its numerous shortcomings, and, as in the past, not deter it from continuing its nuclear program, the US and EU should seek a diplomatic resolution of the nuclear standoff with Iran.

The Turkish government can play an indispensable mediating and stabilizing role if both Iran and the US soften their inflexible and intransigent positions

If the Obama Administration seeks to “empower the people of Iran,” then the best way to do so is to engage the country and facilitate its integration into the global economy

In October 2009 in Geneva, the Ahmadinejad Administration tentatively agreed to ship virtually all of its existing low enriched uranium (LEU) out of the country to be processed further and returned to Iran for use in the nation’s medical facilities. Ahmadinejad subsequently reneged on this agreement after

being confronted with severe and stinging criticism from both his liberal and conservative opponents. But Iran has since given indications that it is still open to the possibility of the uranium exchange. However, it will not send the entire stockpile of its uranium out of the country at once, preferring to do so in stages in order to make sure that the IAEA will fulfill its part of the agreement by supplying it with the uranium it needs to operate its medical facilities. Moreover, the Iranian regime is keen for the uranium exchange to take place on the territory of a country that it views as trustworthy. Since the assumption of power of the AKP in Turkey in 2002, Turkey and Iran have substantially boosted their economic, strategic, and diplomatic ties. As a result, the Turkish government, which is unique in the sense of being trusted and respected by both Iran and the US, can play an indispensable mediating and stabilizing role if both Iran and the US soften their inflexible and intransigent positions.

It would be difficult for the US to promote stabilization in Iraq and Afghanistan or advance the cause of the peace process in the Middle East without at least Iran’s acquiescence. Such acquiescence, however, is unlikely to be forthcoming so long as no steps have been taken to resolve the two countries’ outstanding disputes. Perhaps sanctions can be utilized to satisfy powerful domestic constituencies in the US and be used as bargaining chips in the process of negotiations with Iran. Beyond this, however, their utility is limited.

Among the people of Iran, the US finds some of its only popular support in the Middle East.¹⁷ And if the Obama Administration seeks to “empower the people of Iran,” then the best way to do so is to engage the country and facilitate its integration into the global economy. In doing so, it would coax the regime into a risky gamble and at the same time, win hearts and minds inside Iran by helping to deliver what its people want most – a more prosperous life. It is also the only means available for removing the structural constraints to Iran’s democratization. Without doing so, any outside attempt at crushing or overthrowing the Islamic regime would most likely only bring about another defiant authoritarian regime – or perhaps the dismemberment of Iran itself. If the US wants a friendly, compli-

ant regime in Tehran that neither sponsors international terrorism nor threatens the region with nuclear weapons, then there are no quick fixes, military or otherwise. The social transformation required to reach this goal will require patient adherence to a carefully calibrated strategy of engagement, not unlike the process of détente that the US has initiated in the past when faced with a dangerous political deadlock.¹⁸ Such a policy may be difficult to countenance, particularly in light of the attempt on the part of the Khamenei—Ahmadinejad—Revolutionary Guards alliance is fine to consolidate their hold on power. However, precisely because this alliance has lost much of its credibility and legitimacy in the eyes of the Iranian people, they would be liable to try to enhance their standing by achieving a modus vivendi with the US. Such an understanding will enhance their ability to improve the conditions of the economy. Although in the short term such an improvement may enable the militant and anti-democratic wing of the theocracy to consolidate power, in the medium to long term Iran's integration into the global economy will empower the society at the expense of the state and, more importantly, lay the foundations for a sustained and enduring transition to a robust democracy.

Endnotes

1. As one observer recently put it: "The age of U.S. dominance in the Middle East has ended and a new era in the modern history of the region has begun...to master it, Washington will have to rely more on diplomacy than on military might." Richard Haass, "The New Middle East," *Foreign Affairs*, Vol. 85 (Nov. – Dec. 2006), pp. 2-11.

2. Flynt Leverett. "Iran: The Gulf Between US," *New York Times*, January 24, 2006.

3. Dariush Zahedi and Omid Memarian, "A Firebrand in a House of Cards," *New York Times*, January 12, 2006.

4. M. Steven Fish, *Democracy Derailed in Russia* (New York: Cambridge University Press, 2005).

5. Abbas Milani, "Can Iran Become a Democracy?" *Hoover Digest*, No.2 (2003). See also Abbas Milani, "A Historical Perspective," *Journal of Democracy*, Vol. 16, No. 4 (October, 2005) and Michael McFaul, "Chinese Dreams, Persian Realities," *Journal of Democracy*, Vol. 16, No. 4 (October, 2005).

6. *Iran Statistical Yearbook* (1381).

7. National Youth Organization of Iran (May 14, 2005).

8. Amy Hawthorne, "Middle Eastern Democracy: Is Civil Society the Answer?" Thomas Carothers and Marina Ottaway (eds.), *Uncharted Journey: Promoting Democracy in the Middle East* (Washington, DC: Carnegie Endowment for International Peace, 2005), pp. 81-113.

9. Marina Ottaway, "The Missing Constituency for Democratic Reform," Thomas Carothers and Marina Ottaway (eds.), *Uncharted Journey: Promoting Democracy in the Middle East* (Washington, DC: Carnegie Endowment for International Peace, 2005), pp. 151-169.

10. The sectarian horrors unleashed in Iraq in the name of democracy are also likely to have had a negative effect. In Arab countries of the Middle East, there is some evidence of a swing in public opinion back towards a strong state since the outbreak of insurgency and civil war. Shibley Telhami,

Media, Opinion and Identity in the Arab World, Lecture presented at the University of California, Berkeley (March 19, 2007).

11. Edward D. Mansfield and Jack Snyder, "The Effects of Democratization on War," *International Security*, Vol. 20, No. 1 (Summer, 1995), pp. 196-207.

12. Steven Levitsky and Lucan Way, "International Linkage and Democratization," *Journal of Democracy*, Vol. 16, No. 3 (July, 2005), pp. 20-34.

13. "Officials: WTO Clears Iran for Membership Talks," *Associated Press*, May 26, 2005.

"Technocrats and Reformists Square Off Against Conservatives and Labor Over WTO Membership," *RFE/RL Iran Report*, July 7, 2005.

14. Matthew Levit, "Pulling Tehran's Purse Stings: Leveraging Sanctions and Market Forces to Alter Iranian Behavior," *Washington Institute for Near East Policy* (Washington, DC., 2007).

Mohsen Sazegara, "What Should We Do Now?" *Journal of Democracy*, Vol. 16, No. 4 (October, 2005), pp. 64-73.

15. "The big squeeze," *Economist*, July 19, 2007.

16. Thomas Friedman, "Iran's Great Weakness May Be Its Oil," *New York Times*, February 3, 2007.

17. A 2002 poll conducted by *Ayandeh* institute in Tehran showed that nearly 75% of Iranians held a favorable attitude towards the United States. The poll's conductors were subsequently arrested. See "Leading Iranian Reformist 'arrested,'" *BBC News*, Nov. 4, 2002.

18. Ray Takeyh, "Time for detente with Iran," *Foreign Affairs*, Vol. 86, No. 2 (March-April, 2007).