

The revolution strikes back

Jul 19th 2007

From The Economist print edition

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An uncompromising Iran and an uncomprehending America may be stumbling to war, says Peter David (interviewed [here](#))

Get article background

IT IS Friday prayers in Tehran. Several blocks around the university and Palestine and Revolution Squares have been closed to traffic, as they are every week at this time. Throughout the morning lines of soldiers in khaki and Revolutionary Guards in green have been filing into a vast hangar. Knots of civilians stroll up in the sun. From within, loudspeakers squawk sermons and bursts of martial music.

This week happens also to be the 25th anniversary of the liberation of Khorramshahr, a bloody Iranian victory during the eight-year "imposed war" against Iraq. All week footage of the fighting has been broadcast on television, even filling the half-time gap in the European football cup final between AC Milan and Liverpool (which soccer-mad Iranians watched avidly). The Iran-Iraq war cost Iran hundreds of thousands of lives, helping to consolidate the very revolution Saddam Hussein had foolishly attacked. Posters of the martyrs still adorn the streets of Tehran.

Inside the hangar tens of thousands of men (the women are screened out of sight) sit in rows on prayer rugs. At the front under a podium is much of the country's turbaned political leadership. Also present is General Yahya Rahim Safavi, the commander of the Revolutionary Guards, which wrested control of the war from what

had been left of the shah's army and has exercised growing influence in Iran ever since. Under the podium a green banner proclaims: "So long as America sticks to its present policy Iran will not have negotiations with it." Now, before the main sermon, comes the warm-up. A speaker denounces Islam's foes. "Shame on you Israel, down with Israel," the seated throng bellows in response, fists pumping in unison. "Death to America."

The prayer leader takes his place behind a lectern. In one hand he holds a gun, to represent the sword of Islam. He then recites in a tremulous voice the lamentation for the Shias' first-century martyr, Imam Ali. At this the assembled worshippers cradle their heads and sob, shoulders heaving with sudden grief. The preacher then takes a sip of water, signalling that this morning's main political message—which will be preached at similar meetings in all of Iran's cities—is about to be delivered.

Today's theme is a forthcoming meeting in Baghdad between Iranian and American diplomats, the first formal direct contact after decades during which neither country has been willing to talk to the other. The preacher is at pains to explain that Iran is not showing weakness. "That carnivorous wolf is not of the type to enter negotiations," he says of America. "America is only after securing its own hegemony." Isn't America the axis of evil? Wasn't refusing to talk to America a principle of the blessed Ayatollah Khomeini? There will be no departing from principle, he says. All that has happened is that Iraq's government has asked for help. And all Iran will do is insist that as Iraq's occupiers the Americans are responsible for the mayhem there. "We can with most certainty announce today that the United States has become the obvious manifestation of the axis of evil in the region," he declaims. The seated throng roars its assent.

The audience in America

Tehran's Friday prayers are broadcast all over Iran and around the world. The fiery slogans of the worshippers reinforce the scary fanaticism outsiders have come to associate with the Islamic Republic since Ayatollah Khomeini's revolution more than a quarter of a century ago. And nowhere in the world do Tehran's morning prayers have a more attentive audience than in the capital of the United States.

For all its problems in Iraq, America is also fixated on Iran. In 2005 George Bush promised that he would stop "the world's most dangerous men from getting their hands on the world's most dangerous weapons". That same year a brash former mayor of Tehran, Mahmoud Ahmadinejad, won a surprise victory in Iran's presidential elections. Since then he has done his level best to look like one of the world's most dangerous men.

President Ahmadinejad took over from a middle-aged cleric, Muhammad Khatami. As president, the mild, bespectacled Mr Khatami had pushed for liberal reforms at home and talked reassuringly to the outside world about Iran's desire for a "dialogue of civilisations". The new president, a former Revolutionary Guard and a Holocaust-denying demagogue, does not do reassurance. Since his election Iran has defied the UN Security Council's orders to stop enriching uranium, threatened repeatedly to make Israel disappear and declared war on Iran's internal reformists.

Switch to a typical week in Washington, DC, just before those Friday prayers. The Washington Institute for Near East Policy is holding a symposium on Iran's "unacceptable bomb". Robert Kimmit, the deputy treasury secretary, tells delegates how America is tightening sanctions on Iran. From Jerusalem by video Shimon Peres, Israel's elder statesman (and now president), says that if Iran develops nuclear weapons, they may fall into the hands of terrorists. A British diplomat argues that Iran's nuclear programme threatens "irreparable damage" to the Nuclear Non-Proliferation Treaty (NPT).

Also in this typical week another think-tank, the American Enterprise Institute (AEI), unveils a database listing foreign investments in Iran. Journalists are given a CD on which they can look up who is thought to be investing what in Iran. Why? Because, says Danielle Pletka, an AEI vice-president, people need to understand that between (a) doing nothing about Iran and (c) dropping a bomb on it is a third possibility, (b), of inflicting economic pain until the mullahs change their ways. This week too Dick Cheney pipes up from the deck of *USS John Stennis*, one of the additional aircraft carriers America has sent to the Persian Gulf. The vice-president says America will "stand with our friends" to stop Iran getting nuclear weapons and "dominating this region".

Some say that Mr Cheney is the last hawk standing in the Bush administration. But anxiety about Iran's nuclear intentions stretches right across American politics. Condoleezza Rice, the secretary of state, claims that America faces "no greater challenge from a single country than from Iran". And most of the presidential candidates for 2008 are talking equally tough.

Hillary Clinton favours opening a "diplomatic track" with Iran. John Edwards supports a "non-aggression pact". Barack Obama says it would be a "profound mistake" to start a war. But neither Mrs Clinton nor Mr Edwards nor Mr Obama rules out force if Iran persists with its nuclear plans.

For Rudy Giuliani, the Republican front-runner, a military strike would be "very dangerous", but nuclear arms in the control of "an irrational person" like President Ahmadinejad would be more dangerous still. Would he consider using tactical nuclear weapons against Iran? "You can't rule out anything." John McCain recently broke into song, intoning "bomb-bomb-bomb bomb-bomb Iran" to the tune of a Beach Boys song.

Alongside the work of the think-tanks and the warnings and ditties of the politicians comes a drumbeat of alarming newspaper articles. In the *Wall Street Journal*, Norman Podhoretz, a hero of the neoconservatives, concludes in an op-ed piece: "The plain and brutal truth is that if Iran is to be prevented from developing a nuclear arsenal, there is no alternative to the actual use of military force—any more than there was an alternative to force if Hitler was to be stopped in 1938."

The audience in Iran

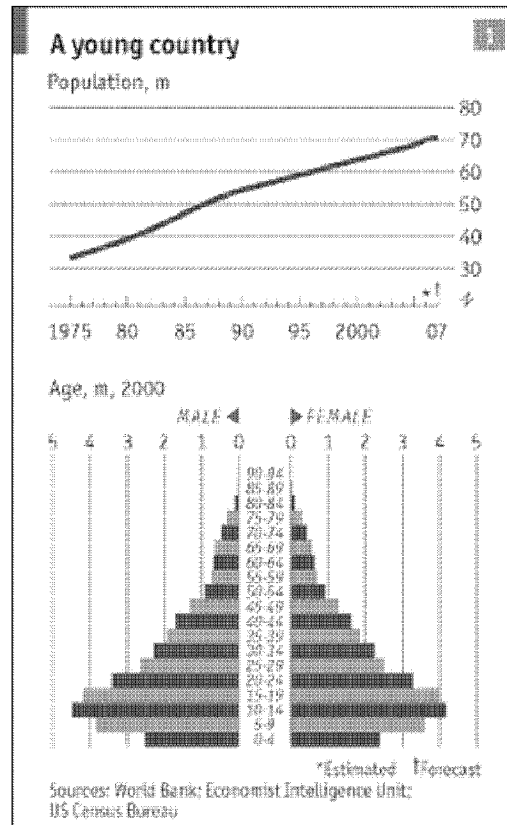
Is that really where things stand with Iran—a new Hitler and a new 1938? Look again at Tehran's Friday prayers. One thing a visitor notices at once is how little connection

this stage-managed event has with the everyday life of the bustling metropolis around it. Even the audience, squatting in serried ranks beyond the dignitaries, looks untypical.

Iran is a young country (see chart): two out of three people are below the age of 30. On the streets of affluent north Tehran, young people dress in the latest fashions—even if the jeans-clad women are obliged by law to wear the Islamic headscarf (the *hijab*). The audience at prayers, however, is older: shabbily dressed men well into their 40s, regime stalwarts who have trekked uphill from the poor southern suburbs.

Which is the true Iran—the consumer-oriented young, bored by the slogans of a long-ago revolution and impatient to move on? Or the regime faithful chorusing the familiar slogans at Friday prayers?

It is tantalisingly hard to know. With 71m people and a multitude of languages and ethnicities, Iran is a difficult place to read. Although it has elements of democracy, including an elected president and parliament, the state is not ultimately controlled by elected institutions. And even the elected bit of the system is a backstage game of personalities and factions, not a transparent process rooted in political parties. Press freedom is limited, almost no serious independent opinion polling is allowed, and many official economic statistics appear simply to be made up. All this makes the regime's inner workings elusive. Outsiders can only follow the trend and make a guess.



Men of principle

Jul 19th 2007

From The Economist print edition

Iran's neoconservatives and their "white coup"

Get article background

LAST time *The Economist* visited Iran for a special report, in 2003, the so-called "Tehran spring"—a period of cautious political liberalisation under the presidency of the soft-spoken Mr Khatami—was drawing to a close. He had won a landslide election in 1997 and a renewed though smaller mandate in 2001. These victories had signalled that the people of Iran wanted change: freedom of thought and speech, political diversity, a more open economy, tolerance, the rule of law and a friendlier stance towards the outside world. But as president, Mr Khatami had limited powers to deliver what they wanted.

That was because the constitution drawn up under Ayatollah Khomeini adopted a doctrine known as *velayat-e faqih*, in which an Islamic jurist sits as "supreme leader" at the apex of politics. And over the course of the Khatami presidency the unelected part of the structure, directed by the present supreme leader, former president Ayatollah Ali Khamenei, systematically throttled most of the changes Mr Khatami and his fellow reformers proposed.

Dozens of newspapers opened during the Khatami period, only for many to be shut down on one pretext or another by the judiciary. Clerics who took advantage of the new atmosphere to question the doctrine of *velayat-e faqih* were imprisoned or otherwise cowed. Even as political debate blossomed, Iran's security services cracked down on religious and ethnic minorities. A number of the regime's critics fell victim to murders traced later to the interior ministry. In 1999 police reacted to a peaceful demonstration for freer speech by invading Tehran University, beating and arresting hundreds of students and killing at least one. In the *majlis* (parliament) much of the president's reforming legislation was vetoed by the Council of Guardians, a committee of clerics appointed by the supreme leader to ensure that laws conform with Islamic precepts.

By 2004 Mr Khatami's failure either to stand up to these assaults on his programme or to deliver economic progress had led to widespread disillusion. That year, hardliners won a big victory in parliamentary elections. And in 2005 presidential elections produced an unexpected victory for Mr Ahmadinejad, then a little-known former mayor of Tehran.

Eyevine



Dressing to kill a revolution

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The Tehran spring of ten years ago has now given way to a bleak political winter. The new government continues to close down newspapers, silence dissenting voices and ban or censor books and websites. The peaceful demonstrations and protests of the Khatami era are no longer tolerated: in January security forces attacked striking bus drivers in Tehran and arrested hundreds of them. In March police beat hundreds of men and women who had assembled to commemorate International Women's Day.

The consequences of dissent

According to Human Rights Watch, an international lobbying group, detainees are routinely tortured in clandestine prisons operated by the judiciary, the information ministry and the Revolutionary Guards. The rate of executions appears to have speeded up, too. Iran now executes more people than any other country except China—often without giving defendants a fair trial. Homosexuality is one of the crimes punishable by death.

In recent months the slide back into authoritarianism has accelerated. Tehran's annual campaign against “bad *hijab*”, when police harass or arrest women who show too much hair under their obligatory headscarves or make themselves up to look sexy, has been unusually severe. A series of high-profile arrests seems calculated to intimidate dissenters. Some of those arrested have been visiting American citizens with dual citizenship. (One, Haleh Esfandiari, from the Woodrow Wilson Centre in Washington, is the wife of Shaul Bakhash, a noted scholar and former writer for *The Economist*. She was detained and imprisoned while visiting her mother in Tehran.) More shocking inside the country was the arrest in April of Hossein Mousavian, a former Iranian ambassador to Germany and former nuclear negotiator, on suspicion of espionage. The arrest of a regime insider on such an outlandish charge sent a shudder through Iran's political establishment. Mr Mousavian is close to Akbar Hashemi Rafsanjani, a former president and Mr Ahmadinejad's defeated rival in the 2005 election.

If you are determined to give Iran the benefit of the doubt, one way to interpret these developments is to see them as the swing of a political pendulum—the sort of wobble you might expect in any country making a fitful transition to democracy. By 2005 Mr Khatami's reforming presidency had after all run out of steam. Mr Ahmadinejad won a popular election. The people seemed once again to want change, but change of a different kind: economic “justice” and redistribution rather than a political and cultural opening.

Mr Ahmadinejad, the austere son of a blacksmith, ran as an economic populist, adroitly harnessing the conviction of the *mostazafin*—Iran's “downtrodden”—that their basic needs had been neglected by the political reformers. A big part of his appeal was his promise to tackle the corruption many voters associated with the older brand of conservative, such as Mr Rafsanjani, whom many Iranians believe to be a billionaire as well as a cleric.

Nonetheless, says the pendulum theory, Iranian politics is still an affair of checks and balances. The new president is not invincible. His erratic economic policies—especially when combined with the impact of sanctions—will prevent him from satisfying the expectations he has aroused. By the time of the next *majlis* elections

in 2008, or the presidential ones in 2009, the reformists will have regrouped and the pendulum may swing back.

In Iran, it is said, you can always dredge up plenty of evidence to support any theory you care to believe in. So it is with the theory of the pendulum. Mr Ahmadinejad has been in office for less than two years, but that has been time enough to produce plenty of evidence that his power is limited and his tenancy may be short. Despite the endorsement of the supreme leader (Ayatollah Khamenei has called him Iran's best president since the revolution), Mr Ahmadinejad has faced vehement opposition, not least from the *majlis* itself.

From the start, the *majlis* resisted many of his choices for cabinet jobs. It also rejected many of his spending plans. More than 30 *majlis* members have signed a petition that would summon the president to appear in parliament to explain his alleged policy failings. A year ago 50 prominent economists sent him an open letter attacking his economic policies. Last month they sent another, with additional signatories.

Mr Ahmadinejad's mounting bellicosity on the international stage—his threats against Israel, questioning of the Holocaust and nuclear defiance—has also run into robust internal criticism. This seemed to reach a crescendo last December when voters handed him a serious indirect rebuff. In municipal elections and elections for the Assembly of Experts (the body that elects and supervises the supreme leader), most of the candidates Mr Ahmadinejad supported were defeated.

Does this mean that the hardliners as a whole are in trouble? Not necessarily. In Iran's faction-based politics, the divisions between political blocks are not clear-cut. Factions tend to coalesce before elections and then break apart once they have got their man in. At the same time the defeated factions seek to form coalitions in the hope of reversing their defeat next time round. Right now the hardliners who rallied around Mr Ahmadinejad in 2005 are less concerned to maintain unity, whereas the main opposition groupings are feeling their way towards an alliance.

In the *majlis* these consist of a rump of Khatami-style reformists and a larger block of people who travel under the “conservative” banner but who are pragmatic in their approach and oppose Mr Ahmadinejad's brand of what many outsiders have come to call “neoconservatism”.

Could the older-style conservatives such as Mr Rafsanjani and the reformists band together and win next time? That is what the pendulum theorists hope. This being Iran, however, plenty of evidence can also be found to prove that the pendulum theory is wrong.

A parallel universe

One of the theory's defects is its underlying assumption that power swings back and forth with election results. In Iran it doesn't quite. In 1997 Mr Khatami won a very handsome democratic mandate for reform, but by winning the presidency he did not win a free hand to govern.

Iran, remember, is at best a quasi-democracy: in parallel with the elected system exists another system that is unelected. Its elements include the armed forces (especially the Revolutionary Guards), the Council of Guardians, the judiciary, the senior conservative clerics and a vast administrative machine that reports directly to the supreme leader. By and large this unelected system is made up of strong believers in the original ideology of the revolution, or at least people who have a strong vested interest in it. A common self-description of these people is that they are *osoulgara*, or "principle-oriented".

The principle-oriented custodians of the revolution did not wait until the election of Mr Ahmadinejad before taking action against Mr Khatami's reforms, which they interpreted as a potentially lethal threat to its core values. With the connivance of the supreme leader, they simply used their executive power and a compliant judiciary to override the wishes of the legislature and the voters.

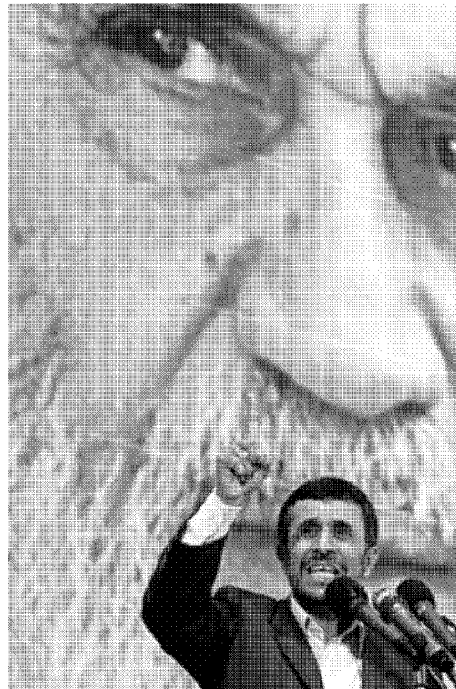
By these means President Khatami was deprived of his power long before he was deprived of his office. Nor did the men of principle think it safe to leave the choice of his successor to Iran's voters. The election took place only after legions of candidates had been disqualified by the Council of Guardians. By way of insurance there was also judicious fiddling on election day: reformists complain that the Revolutionary Guards and their associated Basij militia of perhaps a million young volunteers were drafted in to intimidate voters and stuff ballot boxes.

Take all this into account, and what is happening in Iranian politics begins to look more sinister than the swing of a pendulum. Some opposition politicians prefer to describe what Iran is experiencing as a "white" (ie, bloodless) military coup. This did not start with President Ahmadinejad, though as a war veteran and former Revolutionary Guard commander he is typical of the class and generation behind it. It has been developing quietly ever since the men of principle began to fear that their revolution would not survive the encroachment of Western ideas, consumer habits, satellite television and the rise of a generation that had no direct memory of either revolution or war.

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This is not the sort of coup in which the armed forces have to make an overt grab for power, because the supreme leader is part of the conspiracy. The fear, rather, is that with all the state institutions now in conservative hands the unelected centres of power are coalescing behind a single hard line and taking over all the top jobs. And in the name of principle this group (one *majlis* member calls it the "power in the shadow") has no qualms about bullying parliament or suborning the judiciary.

Mr Ahmadinejad is part of this group, but its survival does not depend on his. Indeed, many of the conservatives who supported his presidency are beginning to cast around for a more moderate, cooler-headed replacement (one possibility is Mohamed Baqer Qalibaf, the mayor of Tehran). "If necessary they will sacrifice him to protect themselves," says Isa Saharkhiz, the outspoken managing editor of *Aftab*, a reformist monthly. So strong is the military-clerical nexus under the supreme leader that Mr Saharkhiz dismisses the possibility of the reformists winning re-election. He says the Council of Guardians will simply disqualify their candidates.



Ahmadinejad: rekindling of old fire

A principal exhibit in the theory of the white coup is the relentless increase in the influence of the armed forces, especially the elite Revolutionary Guards. The Guards bared their teeth early in the reform period. Within a year of Mr Khatami's election as president their commander, General Rahim Safavi, was calling the reformers "hypocrites". In one notorious intervention he suggested that those reformers who (in his view) threatened the revolution should be beheaded.

Now that one of their own is president, the influence of the Guards has broadened. A large cohort of former Guards sits in the *majlis*. The Guards maintain their own intelligence agency and secret prisons. Men with close links to the Guards control principal media outlets such as the state broadcaster as well as the powerful Ministry for Islamic Guidance and Culture. Three years ago the Guards showed their strength by deciding on their own authority to close down the capital's new Imam Khomeini International Airport. They claimed that a decision to allow a Turkish consortium to operate the terminal had posed a threat to national security; but many Iranians think the real reason was that a company close to the Guards had lost its bid for the tender.

It may therefore be no coincidence that in the past two years the Guards' commercial interests have prospered. Their engineering arm, known as Ghorb, has been granted juicy slices of big state projects, including the building of gas pipelines and a new section of the Tehran metro.

Sayeed Laylaz, a former government official and now a private economist in Tehran, says simply that the Guards are "Iran's *nomenklatura*—a new social class formed by

domination of the economy". Within ten months of Mr Ahmadinejad's election, he reckons, the value of civil contracts awarded to the Guards, many of them without going to competitive tender, had trebled from \$4 billion to \$12 billion. On top of this, the Guards are also thought to be in charge of Iran's nuclear-weapons programme, a political and technological responsibility conferring huge influence and prestige within the ruling system.

A plot a day keeps opposition away

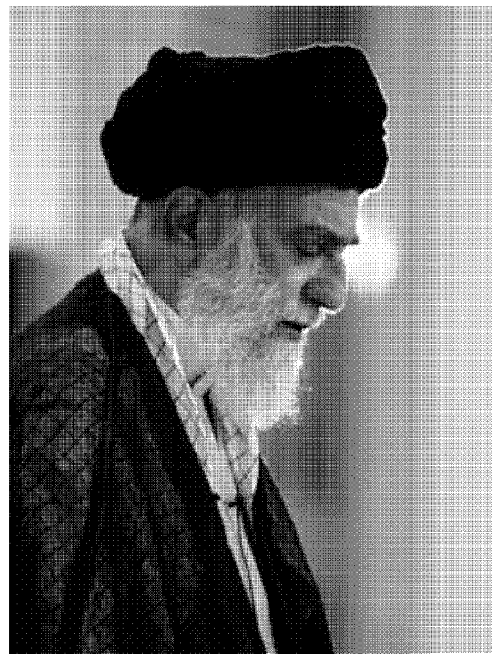
What makes Iran's future especially hard to predict right now is its testy relationship with the outside world, and particularly with the United States. That is because the direction Iran takes will depend not only on its own choices but also on what the world does to it. Many Americans, and many Iranians living in America, believe that the regime is so unpopular that it can indeed be reformed or even removed from within—if only the opposition receives a bit more help. To that end the American government has earmarked scores of millions of dollars to help Iranian "civil society" and pro-democracy groups.

But reformers inside the country dare not touch this money. Ebrahim Yazdi, leader of the Freedom Movement, which supported the revolution but is now a courageous voice for democracy, says that such programmes merely give the authorities an excuse to "intensify the repression". The government cites these American funds as proof that the United States is plotting its overthrow. Fearing (or claiming to fear) that America is fomenting a "velvet" revolution, it has used them to justify its arrest of foreign visitors.

In recent months almost all contacts between "civil society" and the West have fallen under real or manufactured suspicion. In May American would-be participants in an economic conference organised by the Ravand Institute, Tehran's first independent economic think-tank, set up by Iran's former ambassador to London, were denied visas. In June Iranians who had the temerity to attend a reception at the British embassy to mark the queen's birthday were harassed on their way in and out by police and rent-a-mob demonstrators. The regime is cutting down the number of foreign journalists based in Tehran and restricting the movements of those who remain. The country is being put on a "war footing", says one.

It is a familiar pattern. Writing from exile, Akbar Ganji, one of Iran's best-known dissidents, says the hardliners have consistently cited American policies towards Iran as an excuse to crack down on internal foes. "Politicians with close ties to the military establishment have taken control of the Iranian government and are trying

Iberpress



Khamenei: supremely paranoid

to manage the cultural and political arena in the style of a police state," he says in the *Boston Review*. "These policies are, in turn, aggravating hostilities and allowing the Bush administration to justify its belligerence. Thus the vicious cycle continues."

A similar mechanism operates in the nuclear debate. Shahram Chubin, director of studies at the Geneva Centre for Security Policy, argues in a recent book that although Iran resumed the shah's nuclear programme for security reasons during the war with Iraq, its motivation now has at least as much to do with internal politics. As the revolution started to falter in the 1990s, he says, the nuclear option offered a way to rally nationalist opinion and "legitimate the regime".

So it has proved. Mr Ahmadinejad and his coterie have succeeded brilliantly in portraying the regime's quest for nuclear "technology" (it is careful never to speak of nuclear weapons) as a matter of national pride. Most Iranians do not see why a great nation such as theirs should be denied a technology others are allowed to have. This has wrong-footed the pragmatists, such as Ayatollah Rafsanjani, who supports the nuclear programme but would work harder to prevent it from antagonising the world and isolating Iran.

For Iran's men of principle it may be that antagonising the world and isolating Iran are very much part of the point. Hermidas Bavand, a Tehran-based academic, says that just as revolutionaries in Russia and China took fright when their ideas stopped resonating with the people, those in Iran think that their survival depends on making Iranians feel surrounded, isolated and beset by foes. A particular group, he says, wants to make the revolution permanent "in order to retain their control of the power structure"—and for this it is helpful if they can point to enemies everywhere.

The more that outsiders meddle, the deeper the regime digs in. Better to let the country find its own way towards democracy, the reformers say. But can the world afford to leave Iran to its own devices? If they are nuclear devices, perhaps not.

Bombs away

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A suitable case for pre-emption?

Get article background

AMERICA and many other countries are convinced that Iran is trying to build nuclear weapons. But Iran denies this, and after the intelligence bungles in Iraq such claims need to be examined with care. The Iranians remind the world that their soldiers were victims of Saddam's poison-gas attacks during the Iran-Iraq war, and that they never retaliated in kind. Ayatollah Khamenei, the supreme leader, has gone so far as to issue a *fatwa* (religious decree) declaring the possession or use of WMD in general, and nuclear weapons in particular, to be illegal under Islamic law.

Furthermore, Iran's leaders point out that unlike existing nuclear-weapons states in their neighbourhood, such as Pakistan, India and Israel, Iran has signed the Nuclear Non-Proliferation Treaty (NPT). It has therefore submitted itself to inspections by the International Atomic Energy Agency (IAEA), the treaty's watchdog. When asked why a country overflowing with oil and gas should want nuclear energy, Iran answers that its oil revenues will one day diminish and that in the meantime nuclear energy at home would free more petrol for export. Besides, say the Iranians, America and other Western countries were happy to help the shah establish a nuclear industry before the revolution. Why should what America deemed to make economic sense at that time be thought absurd now?

It should also be noted in Iran's defence that the nuclear agency has as yet found no conclusive evidence that Iran is running a nuclear-weapons programme. In a report to the IAEA's governors last March, Mohammed ElBaradei, its director-general, said only that until Iran gave the agency more information about its nuclear activities—some of which it kept secret for many years—his agency would “not be able to provide assurance regarding the exclusively peaceful nature of all of Iran's nuclear activities”. In short, the IAEA has no firm evidence that Iran is trying to make a bomb, but it has plenty of suspicions and cannot give it a clean bill of health.

The IAEA, however, is a cautious organisation with a mixed record. In the 1980s it failed to detect Iraq's nuclear-weapons programme at a time when it was in fact making rapid progress. In Iran, the agency's attempts to monitor nuclear activities have been hampered by years of deception. And Iran's credibility suffered a massive blow in 2002 when a dissident group, perhaps tipped off by Western spies, revealed that the country had built two nuclear facilities in secret without informing the IAEA. One of these, in Arak, was a heavy-water reactor, just the thing for making plutonium, which is one way to fuel an atomic bomb. The other, at Natanz, was a facility for enriching uranium, which is the other way of doing it.

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It is true, as Iran says, that the centrifuges at Natanz can also make the less enriched fuel that a nuclear reactor would need for producing electricity. But since Iran does not yet have any such reactors (other than the one the Russians have built for it at Bushehr, which comes with Russian-supplied fuel), why the rush to enrich? Why try to keep both Arak and Natanz secret? And why has Iran apparently co-operated with both North Korea and A.Q. Khan, Pakistan's notorious nuclear-weapons smuggler?

Iran's answer to these questions is that it was forced to keep these nuclear activities secret because America was intent on blocking its civil nuclear programme, even though having such a programme was its "inalienable right" under the NPT. Iran also argues that under the letter of the law it was not required to disclose the existence of these facilities until uranium enrichment actually began—which, it says, it intended to do.

In 2003, embarrassed by the discovery of its secret facilities, Iran agreed to implement the "additional protocol" of the IAEA, making its facilities available for fuller inspection. After negotiations with Britain, France and Germany it agreed to suspend uranium enrichment. But it continued to insist on its right to resume it, and in August 2005, the month of Mr Ahmadinejad's inauguration, it did so—even though the three European governments had offered it economic and civilian-nuclear help in exchange for stopping permanently. In June 2006 the incentives on offer for nuclear compliance were both broadened (all five permanent members of the Security Council, and Germany, endorsed them) and sweetened. Condoleezza Rice said that if Iran accepted, America would drop its long-standing refusal to negotiate directly with Iran and open talks on a wide range of subjects.

From America's perspective this was a big concession. And yet, for one reason or another, Iran did not bite. And in the past year its readiness to pay a growing price for its determination to press on with enrichment and so master the entire nuclear-fuel cycle has inevitably added to suspicion of its intentions. Part of that price has been losing the diplomatic protection that Russia and China had previously given it in the Security Council. In July 2006 the council ordered Iran to suspend enrichment. Its refusal resulted in two further resolutions—in December 2006 and March 2007—imposing modest sanctions, with a third now in preparation. And yet the centrifuges spin defiantly on. Little wonder that the working assumption in many capitals is that Iran wants the bomb.

If that assumption is correct, how soon might it get one? Mr Ahmadinejad keeps claiming that Iran has already passed the stage of no return in its attempts to master enrichment, but continues to deny that Iran wants the bomb. "We have broken through to a new stage and it is too late to push us back," he said in June. Most outside experts, however, are sceptical about how much progress Iran has made.

A common estimate is that in order to produce enough fissile material for a basic device, Iran would have to run an array of some 3,000 centrifuges at high speed for more than a year. Mr ElBaradei told a meeting of the IAEA last month that Iran already had between 1,700 and 2,000 centrifuges running, and predicted that this number could rise to 3,000 by the end of July. But the amount of uranium hexafluoride—the gas put into the machines for enrichment—has been relatively small, suggesting to some analysts, including the IAEA, that Iran is not yet confident of its ability to spin them at full speed.

One respected expert, David Albright, president of America's Institute for Science and International Security, reckons Iran would be lucky to be able to enrich enough uranium for a bomb by 2009 and that to complete all the other steps necessary to make a usable weapon could take another year or more. Israel says that if Iran's programme went very smoothly, it could have a bomb by 2009. Mr ElBaradei, who makes no secret of his belief that it would be "crazy" to launch a pre-emptive attack on Iran, says an Iranian bomb, if that is what Iran wants, is between three and eight years away.

Reasons for wanting the bomb

So what if Iran got the bomb? Wouldn't its only purpose be to deter? Iran does after all have a history of being bullied and invaded. In the 19th century Britain and Russia played their "great game" on its territory. Britain and America engineered the coup that unseated an elected prime minister, Muhammad Mossadegh, in 1953. After Iraq's invasion in 1980 the United Nations did precious little to help Iran. And in 2002 Iran found itself listed as part of George Bush's "axis of evil", at a time when America had just sent one army into neighbouring Afghanistan and prepared to send another into neighbouring Iraq.

All this—plus loose talk in Washington, DC, about "regime change" in Iran—may have convinced the country's leaders that Iran needs a bomb simply to make

potential attackers think twice. But if Iran has reason to want a bomb, others have bigger reasons to fear it. Israel is foremost of these. Whereas Israel had good relations with the shah, Ayatollah Khomeini regarded the creation of the Jewish state as an unforgivable sin and said that all Muslims had a duty to reverse it.

On Israel, Iran has indeed shown less flexibility than the Palestinians themselves. It denounced Yasser Arafat's espousal of a two-state solution as a betrayal and it continues to arm and train groups such as Hamas, Islamic Jihad and Hizbullah that say they want to destroy Israel. During the reformist period, President Khatami softened Iran's stand, implying that it might respect whatever solution the Palestinians accepted, but Mr Ahmadinejad, in numerous Holocaust-denying speeches calling for or predicting Israel's eradication, has returned Iran noisily to the true faith.

Eyevine



Enrichment please

These pronouncements have led commentators in the West to ask whether Iran's president is a new Hitler with genocidal designs. But a close look shows them to be ambiguous. It is not clear, for example, whether he really doubts that the Holocaust occurred or merely why such an event should have been allowed to justify Israel's creation. In the blogosphere translators hold lively debates about whether he really did call for Israel to be "wiped off the map" or just "removed from the pages of time", a phrase which some people seem to think sounds less fierce. In the mind of Mr Ahmadinejad, are Israel and its people to disappear in some violent event? Or is it merely the "Zionist regime" that is to come to an end—perhaps peacefully, after the Palestinian refugees have returned and decided by referendum?

If Israel is to disappear, will Iran be the agent of its destruction? It is hard to say: from time to time, Mr Ahmadinejad and other officials have said explicitly that Iran poses no threat to Israel. Last month the president said that it was the Lebanese and the Palestinians who had "pressed the countdown button for the destruction of the Zionist regime". A week later the Speaker of the *majlis*, Gholam-Ali Haddad-Adel, said during a visit to Kuwait that Mr Ahmadinejad's comments did not mean that Iran intended to attack Israel, only that "the Zionist entity" was on a "natural course of disintegration".

For all the ambiguity, such talk helps to sow fear in Israel and corresponding delight in Arab countries, where Mr Ahmadinejad may now be more popular than he is at home. To that extent it has been a rational instrument of foreign policy. Such talk may also stem from a rational domestic calculation: hurling dire threats against Israel in the Khomeini manner helps rekindle the revolutionary fire that was allowed to cool under the reformists.

As to whether Mr Ahmadinejad is a new Hitler, one point to note is that he is neither Iran's dictator nor the master of its nuclear programme, which comes under the supervision of the supreme leader. That may not be so very reassuring. It implies that even if Mr Ahmadinejad were to shut up, or lose his job, the nuclear danger will remain.

Since Israel does not admit to having nuclear weapons, its detailed thinking on nuclear matters is rarely ventilated in public. But most of those Israeli experts willing to talk rate the chances of an Iranian nuclear attack as low. Despite Mr Ahmadinejad, most consider Iran to be a rational state actor susceptible to deterrence.

Knowing that Israel already possesses a very large nuclear arsenal, Iran would have to be ready to sacrifice millions of its own people to destroy the Jewish state, unless it was sure that in a first strike it could destroy Israel's ability to strike back. That would be hard, given that Israel is reported to have put nuclear weapons at sea on submarines, and has built sophisticated anti-missile defences expressly to protect its second-strike power. Furthermore, if Iran did obtain nuclear weapons, America might be willing to offer Israel (and other allies in the region) additional reassurance by saying—for whatever such a promise can be worth—that it would regard a nuclear attack on its ally as an attack on itself.

The calculus of destruction

Nonetheless, Ehud Olmert, its prime minister, has said that Israel cannot live with a nuclear-armed Iran. Whatever its policymakers think, its people have been spooked by Mr Ahmadinejad. And the sheer disparity in size between the countries (Iran's population is more than ten times Israel's, and its land area 75 times as big) leads some Israelis to question whether stable deterrence is possible between them. Israelis are haunted by a remark of Ayatollah Rafsanjani's in 2001, musing that a single nuclear weapon could obliterate Israel, whereas Israel could "only damage" the world of Islam.

Could ordinary life in Israel continue under such a threat? Even if Iran did not use its bomb, might not possession of it embolden it to attack Israel by conventional means, either directly or by using its allies in Syria, Lebanon and the Palestinian territories? A further danger is that once Iran went nuclear, others in the region, such as Egypt, Syria, Saudi Arabia and Turkey, might feel compelled to follow. Hard as it would be for Israel to establish a deterrent balance with Iran, a cat's cradle of Middle Eastern nuclear face-offs would be an even darker nightmare.

Added together, these considerations might still tempt an Israeli government to try to knock out Iran's nuclear facilities before it can finish building a bomb. The Israelis

have worked for years to obtain the weapons for such a strike, spending billions to procure long-range variants of the F15 and F16 fighter-bomber, for example. On the other hand, senior Israelis know that this would be fraught with danger.

Iran's nuclear targets are much further from Israel than was Iraq's Osiraq reactor, which Israeli aircraft destroyed in 1981. Most are more than 1,200km (750 miles) away, and Israel's aircraft would have to fly even farther to avoid Jordanian or Iraqi airspace. That, according to a study by Ephraim Kam of Israel's Institute for National Security Studies, would require refuelling on both the outward and return flights, adding to the danger of interception. Osiraq, moreover, was a single target. Since there would be many this time, the attacking force would have to be large. And to cause serious damage, the aircraft might have to attack more than once.

Even a successful strike would not be the end of the story. For as the IAEA's Mr ElBaradei keeps saying, "you can't bomb knowledge." Iran would be likely not only to retaliate with its long-range rockets but also to begin at once to rebuild its nuclear capability, just as Iraq did with extra urgency after Israel's destruction of Osiraq. That might not take long, says Mr Kam: Iran has its own nuclear raw material and already possesses much of the relevant knowledge and technology. Having spent only three years building Natanz from scratch, it could probably rebuild it much faster with the experience it has gleaned.

More worrying still is the possibility that Iran has secret nuclear sites outsiders do not know about: the existence of Arak and Natanz, remember, was not discovered until fairly recently. That could render an attack on the known ones pointless. And Mr Kam is surely right that an Israeli strike might unite Iran's people behind the regime and its nuclear aspirations.

Another alternative for Israel might be to attack Iran in order to start a sequence of events in which America eventually joins the fray. The Americans, naturally, would find the military job much easier than Israel. The Americans have a motive, too: not fear of annihilation, but fear that a nuclear-armed Iran would knock a hole in what is left of the non-proliferation regime and challenge American interests in the energy-rich Middle East. After Iraq, however, no American president could doubt that such an attack would deepen Muslim hatred of America. And Iran is not without means of retaliation, even against the superpower. It could strike America's already hard-pressed forces in Iraq, direct terrorism at America's friends or disrupt tanker traffic through the Persian Gulf, so causing mayhem in the energy markets.

That is why American and Israeli politicians alike, while refusing to take the threat of military action "off the table", are probably being completely honest when they insist that force is a last resort and that they would prefer to stop Iran by means of diplomacy sharpened by economic sanctions. But can sanctions do the job, and can they do it in time?

The big squeeze

Jul 19th 2007

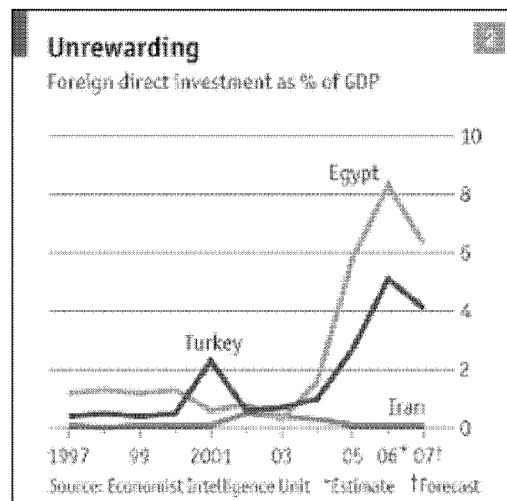
From The Economist print edition

But sanctions are not yet painful enough to change Iran's nuclear policy

Get article background

"I PRAY to God that I will never know about economics," President Ahmadinejad once said when questioned about apparent contradictions in his economic policy. The Lord appears to have answered his prayer. On his watch, the world oil price has soared from \$62 a barrel when he was elected in June 2005 to \$72 a barrel in recent weeks. Iran, which has a young, well-educated workforce, along with the world's second-largest reserves of both oil and gas, should be on a roll. Instead the economy is struggling. Is this a weakness the world can use to dissuade Iran from its nuclear ambitions?

Since almost all official economic statistics are suspect, measuring the performance of the economy is hard. But Afshin Molavi, an Iran-watcher at the New America Foundation in Washington, DC, calls slow economic decline "the untold story of the Iranian revolution". The economy is showing respectable growth of about 5%. But it is recording high and rising unemployment and inflation. The government puts unemployment at around 10% but private economists think it is twice as high—and that many of those with jobs have to take second ones to make ends meet. Mr Ahmadinejad's government claims to have reduced the rate of inflation. In fact it has almost certainly gone up: guesstimates by foreign embassies in Tehran put it as high as 25%. Meanwhile, foreign investment is puny—and falling (see chart 2).



One reason for these economic failures is the economic punishment America has meted out since 1979, and which it has been tightening ever since. These sanctions prevent American companies from helping Iran to develop its oil resources, block most Iranian exports to the United States and restrict certain Iranian imports from there. American financial sanctions also hamper Iranian banking (foreign visitors cannot use credit cards and must stuff their suitcases with dollars).

The price of economic ignorance

But there are two bigger reasons for Iran's underperformance. One is the lopsided structure of an oil-based economy in which a corruption-riddled public sector dwarfs

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private business. The other is incompetent economic management, especially by Mr Ahmadinejad.

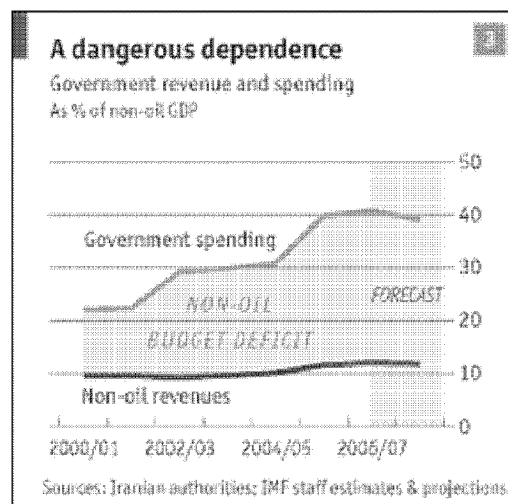
Oil revenues bring in some 80% of export earnings, but even with a high world oil price the government finds it hard to pay its bills. Tough buy-back terms have deterred foreign investment in the oilfields and hampered production: a quarter of a century after the revolution, Iran is pumping only two-thirds as much oil as before. Meanwhile the government operates a vast, price-distorting system of subsidies for food, energy, housing, bank credit and much else. According to the IMF, energy subsidies alone reached 17.5% of GDP in 2005-06, and total subsidies amounted to 25% of GDP. A Consumer and Producer Protection Organisation keeps price controls on cereals, sugar, baby milk, fertilisers and pharmaceuticals, paper and agricultural machinery. This edifice of subsidies places huge demands on public spending and would collapse if it were not for the oil revenues (see chart 3).

Among the maddest of the subsidies is that on petrol. Even after a recent 25% price hike it is still the cheapest in the world, at 11 American cents a litre. That has encouraged an annual 10% increase in consumption, plus impossible traffic and choking pollution in all of Iran's cities.

Selling petrol so cheaply is hardly an incentive for domestic refiners to raise production, so Iran has to import more than 40% of its petrol and other refined products. Much of this is smuggled back out (allegedly by the Revolutionary Guards) to be sold at a higher price. In short, Iran spends a fortune subsidising cheap petrol not only at home but also for consumers in neighbouring countries, wasting money it could otherwise have spent on increasing its flagging oil production. The government's decision last month to introduce rationing provoked violent disturbances. Since many Iranians use private cars to top up meagre incomes by becoming unofficial taxi-drivers, the consequences of this measure will be widely felt.

The IMF calls Iran's economy "state-dominated". And how. Revolution and eight years of war have made for vast government. In most sectors state-owned companies or the opaque quasi-state foundations known as *bonyads* crowd out private businesses. Agriculture, internal trade and distribution are mostly in private hands. Even so, estimates of how much of the economy the government controls range between 65% and 80%.

Now there is talk of large-scale privatisation to attract investment and improve productivity. Some privatisation has even taken place, though it often entails little more than shuffling assets from one state sector to another. In theory, the pace of privatisation should pick up, thanks to a new constitutional amendment that envisages moving all but 25 state-owned companies into private ownership within



eight to ten years (though the government will keep a 20% stake). Ayatollah Khamenei, the supreme leader, was a critic of nationalisation in the 1980s and is said to be enthusiastic about the change. The impediment will not be an absence of political will at the top but the hesitation of investors.

Iran's rigid labour laws will make it hard for new owners to squeeze any profits out of the bloated companies coming to market. Investors may also fear that those who owned these firms before nationalisation will want their assets back; and wonder who, in the absence of an established pro-business political party, can protect them from future arbitrary interventions by the state. The likely upshot is that a fair amount of privatisation will take place, but not at prices that will rescue the public finances, and not in a manner that will do much to boost productivity.

The prospects for serious reform of the economy have been dented further by Mr Ahmadinejad's erratic management of it. In some ways President Khatami left him a decent economic legacy. The reformist period saw a dose of market-oriented liberalisation, a currency reform that moved the rial to a managed float and the passage of liberal laws governing foreign investment. By 2004 many analysts felt that the economy was heading in the right direction, provided that something could be done to reduce energy subsidies, shrink the size of the state and tackle corruption. But although Mr Ahmadinejad campaigned on a platform of economic reform, he has instead caused immense harm by an unpredictable, populist and often dotty ("heterodox", say his kinder critics) approach to policymaking.

His idea of privatisation, for example, has so far appeared to consist of giving "justice shares" to millions of citizens, without specifying how the value of these securities is to be determined. Local investors get discouraged when the president seems actively hostile to the very notion of a stockmarket: during his election campaign Mr Ahmadinejad's denunciation of "speculators" sent share prices tumbling. It is no surprise that many businessmen prefer to move their money offshore. Dubai is a favourite destination: Indian estate agents there are said to be learning Farsi, the better to sell apartments to rich Iranians seeking a haven for their wealth.

Iberpress



Tucking in, but with no thanks to Ahmadinejad

The president's behaviour has maddened critics and alienated former friends. He tours far-flung provinces to announce unaffordable spending plans, apparently on the spur of the moment. Some Iranians have benefited from his handouts and from the cheap loans he has ordered the banks to offer. But he has sprung expensive surprises on his country, ranging from cancelling daylight-saving time to an abrupt increase in the minimum wage (which had to be scaled back when it caused a leap in unemployment).

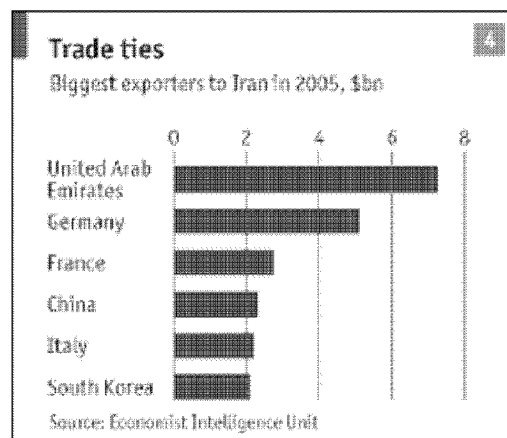
The president has also wrought havoc inside the economically important Management and Planning Organisation by replacing experienced technocrats with friends from his Revolutionary Guards days. Two months ago he astonished the central bank by ordering banks to slash interest rates below the rate of inflation. Some Iranian economists think this was a favour to the Revolutionary Guards, who have borrowed heavily to expand their commercial activities since his election.

Having promised to root out corruption and "put the oil money on everyone's dinner table", Mr Ahmadinejad seems destined to fail. Indeed, his mounting economic woes at home may help to explain the attention he has devoted to the nuclear confrontation with the West and threats against Israel. But hard-pressed Iranian workers and consumers have listened to nearly three decades of revolutionary slogans and are not easily distracted from worries about jobs, rents and inflation.

Ask a passer-by in Tehran about Palestine and he will express his sympathy for the put-upon Palestinians—before volunteering that Palestine is a problem for the Arabs to sort out and that Iran has more pressing troubles of its own. And so it does. Every year some 800,000 young people join the labour market, and by some accounts only half of them can find jobs. Not surprisingly the country faces a brain drain: an estimated 150,000 university graduates emigrate every year.

Iran, in short, has some serious economic troubles. Might a few well-aimed kicks persuade the regime to give up its nuclear plans? In themselves, the two sanctions resolutions passed so far by the Security Council do not amount to much: they mainly ban trade in some nuclear and military equipment. Their psychological impact on would-be traders and investors is another matter. And combined with the financial squeeze America is applying separately, the result is genuinely painful.

America is using its heft in the world's financial system to do some effective bullying. In 2005 President Bush issued an order authorising the Treasury and State Department to target "key nodes" of Iran's WMD and missile-proliferation networks, including their suppliers and financiers. Since a firm or entity that is designated under this order can be denied access to American financial and commercial systems, this makes for a potent weapon. For example, America has accused one Iranian bank, Bank Sepah, of providing financial services to Iran's missile programme and another, Bank Saderat, of providing funds for Lebanon's Hizbullah, which is treated as a terrorist organisation in America. The banks deny the allegations, but have found themselves isolated.



The fate of these two banks has not gone unnoticed by financial institutions generally. America's Treasury Department says it is working with more than 40 banks around the world to "discuss the risks" of doing business with Iran and to identify customers "who could harm their reputations and business". Since in a country such as Iran it is hard to know exactly who your ultimate customer is, this has banks' compliance officers running scared.

It hurts, but not enough

The Treasury Department boasts that UBS has cut off all dealings with Iran, that Credit Suisse and HSBC have reduced their exposure, and that other banks are refusing to issue letters of credit. Government export-credit programmes from Germany, France and Japan are said to have fallen sharply. Iran has responded by moving out of dollars, and many foreign banks that have cut off business in dollars continue to conduct transactions in other currencies. But the Treasury Department is now gunning for them too.

So are sanctions "working"? The punishment so far, and the fear of more to come, has scared off foreign investors and pushed up the risk, cost and inconvenience of doing business in Iran. One notable example was last year's decision by a Japanese energy group, Inpex, to abandon plans to invest \$2 billion in developing the Azadegan oilfield. Raising foreign money for big infrastructure projects is becoming harder, and those European banks still operating in Iran admit privately that their business is drying up. Although some big foreign firms continue to come in, attracted not least by the prospect of a big, undeveloped market devoid of American competitors, many others have either gone home or left behind skeleton offices in the care of local employees.

Nonetheless, it is not clear that sanctions are even close to imposing the sort of pain needed to alter the government's nuclear behaviour. They have pushed down living standards, but war and revolution have taught Iranians how to muddle through. An economy like Iran's, dominated by the government budget, is better able than most

to take the travails of the private sector in its stride. And since energy exports make up almost half the government's revenues, high world prices (kept high in part by the tension over Iran) have compensated nicely for much of the damage sanctions have inflicted. Besides, many powerful Iranians prosper through their control of a relatively closed economy. The openness the world proffers as an "incentive" to give up the bomb strikes at some of this group's vested interests.

A big fall in the world oil price, or sanctions aimed directly at Iran's imports of petrol or exports of oil, would have a devastating impact on its economy. Some American congressmen are talking about a ban on importing petrol to Iran, but that would be very hard to enforce. A fall in the world oil price looks unlikely, and if Iran's oil was stopped from reaching the market prices would rise higher still (except in the improbable event of Saudi Arabia pumping enough extra to fill the gap).

In the longer run, Iran faces a different sort of vulnerability. It is finding it hard to acquire the foreign technology and capital it needs in order to boost production of its fast-depleting oilfields and realise its vast potential as an exporter of natural gas. Without this investment, all of Iran's big plans for a prosperous energy-fired future would be put in jeopardy. But Iran still has a few years to sort this out, whereas its mastery of uranium enrichment may be only a matter of months away.

Only engage

Jul 19th 2007

From The Economist print edition

The case for a "grand bargain"

Get article background

IF A military attack looks too dangerous and sanctions will not bring Iran to its knees, must the world accept that the Islamic Republic will soon have a bomb? Maybe. Plenty of governments in the Middle East are already working out how best to prepare for life alongside a nuclear-armed Iran. But what if sanctions and the threat of force were combined with more positive incentives for Iran, such as security guarantees and normal relations with the United States? Might not a beleaguered regime that was offered some such "grand bargain" see it as an honourable way to give up its nuclear plans?

Eyevine



Maybe we should talk

That is the thinking of those who say the mistake of the Bush administration has been to confront Iran instead of engaging it. Four years ago Iran gave tantalising signs of wanting to end the long confrontation. The superpower's rapid disposal of the Taliban regime in Afghanistan after September 11th 2001 and its preparations to invade Iraq had made it look like a formidable enemy. In 2003 Iran is reported quietly to have offered to open broad negotiations with America on all outstanding issues, including nuclear weapons and Israel. But for various reasons—mainly, say some, the hubris of America's own neoconservatives—this opportunity was missed. And by the time America had run into serious trouble inside Iraq two years later, Iran's mood had changed.

Since President Ahmadinejad's election, Iran has come to be less scared of America. The superpower's overstretched armies in Afghanistan and Iraq now look more like hostages than menacing invaders. Although the Bush administration already blames Iran for many of its woes in Iraq, it knows the Iranians would and could inflict even more damage on American forces there if America were to bomb Iran. Other

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American reverses elsewhere in the region have no doubt added to Iran's self-confidence. The regime portrays Israel's war against Hizbullah in Lebanon last summer—and Hamas's success last month in wresting the Gaza Strip from Fatah—as a victory for its own proxies and a defeat for America's.

Here, though, is a puzzle. If an Iran brimming with self-confidence is no longer afraid of America, why did it decide to take part at the end of May in the first formal high-level talks it has held with the United States since the American embassy hostages left Tehran in January 1981? To judge from the defensiveness on display at Tehran's Friday prayers before the meeting, this about-turn was a highly sensitive one, controversial with the regime's hardliners and difficult to explain to its supporters after all the years spitting defiance at the Great Satan.

The explanation favoured by Western diplomats is that the Iranians feel more vulnerable than they admit. Though buoyed up after last summer's Lebanon war, the regime's fortunes have since declined. There was that blow to President Ahmadinejad's supporters in last December's municipal elections. President Bush, contrary to expectations, reinforced American forces in Iraq and the Persian Gulf instead of reducing them. American forces in Iraq have arrested five Revolutionary Guards there (the Iranians say they were diplomats). Russia and China surprised Iran by withdrawing their protection in the Security Council and agreeing to sanctions.

In short, say Western diplomats, the pressure is working. Yet it may be working in both directions: the Bush administration, after all, has simultaneously performed a U-turn of its own by talking to Iran after a long period of refusing contact. At present both sides are saving face by stressing that Iraq is the only subject on the table. America's official line is that there will be no widening of the discussion unless Iran suspends uranium enrichment and complies with the Security Council's other demands. However, many loud voices in Washington, DC, and a few softer ones in Tehran, see this as an opportunity to move to a broader negotiation that could culminate in an historic reconciliation between the old enemies.

Could it happen? America and Iran have some common interests. Both claim to want a stable and united Iraq and both support its present government. Neither wants the Taliban back in charge of Afghanistan (though Iran is reported to be arming some Taliban fighters). As Shias, the Iranians are as hostile as America is to al-Qaeda, whose jihadists in Iraq have murdered thousands of Shias and bombed their holiest shrines. But on the other side of the ledger are areas where the interests of the two countries collide.

A quarter-century of bad blood

America and Iran support opposite sides in the stand-off in Lebanon. Iran says it wants to destroy Israel, or at least see it disappear. America accuses Iran of seeking an atomic bomb which Mr Bush says he cannot accept. And on top of all this there has been a quarter of a century of bad blood. To Americans, Iranians are the fanatical revolutionaries who kept America's embassy in Tehran hostage for 444 days. To Iranians, Americans are the scheming imperialists who deposed their elected prime minister in 1953 and re-installed a repressive shah.

Reaching a grand bargain in these circumstances is difficult but not impossible. Oddly, America's misadventure in Iraq could turn out to be the catalyst. In the 1970s America reached out to China partly to cover its withdrawal from an unsuccessful war in Vietnam. What, though, if a grand bargain remains elusive? Then the two countries may opt for a partial agreement, or let their confrontation continue at the same level, or see it deteriorate and become even more dangerous.

There are two other outcomes, both of them devoutly wished for by some Americans, that seem unlikely to transpire. One is that the right mixture of external political and economic pressures will force Iran's regime simply to capitulate and agree to the world's demands, at least on the nuclear front. The other is that the regime's internal economic failures and declining popularity will cause it to be overthrown in a popular uprising.

What makes a simple capitulation unlikely is not Iran's external strength but its domestic weakness. The last risk a prickly and unpopular revolutionary regime is willing to run is a public humiliation. To make Iran abandon its nuclear aspirations will therefore require not only pressure but also a means of helping the leadership save face and point to some sort of success. That is especially true if Mr Chubin at the Geneva Centre for Security Policy is right that the regime's main motivation for its nuclear programme is to shore up its internal legitimacy.

The Bush administration seems at last to have understood this. That is why it signed up to the incentives offered to Iran in June last year by the other members of the Security Council, plus Germany, in return for its nuclear compliance. These included the prospect of trade agreements with the European Union; Iran's acceptance into the World Trade Organisation; the easing of American sanctions; the sale to Iran of a light-water reactor and guarantees of nuclear fuel; EU help to modernise Iran's oil and gas industries; support for a WMD-free zone in the Middle East; and the possibility of Iran being allowed to enrich uranium after all if it could show that this was for exclusively peaceful purposes. Iran turned this offer down. But it remains on the table and could be improved.

If a straight capitulation is unlikely, so is an uprising against the regime. Iran, it is true, has a proven capacity to surprise. The shah was toppled only months after the then President Jimmy Carter described Iran as "an island of stability" in a volatile region. But although Iranians grumble endlessly about their government and its failures, there is precious little evidence of a popular counter-revolution in the making. Most of the regime's internal critics seem to pin their hopes on gradual change emerging as it did in the Soviet Union, from inside the system. The Soviet system, however, was based on a secular ideology. When such doctrines fail, they can be junked relatively easily. But how does a system that claims to be rooted in the eternal verities of revealed religion modernise itself from within?

The verdict of Qom

Jul 19th 2007

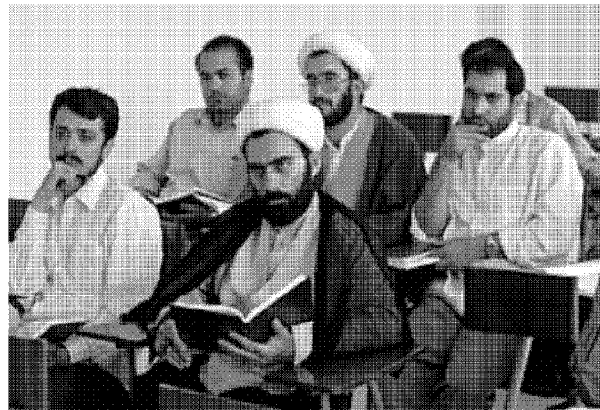
From The Economist print edition

Theory and practice

Get article background

THEY call Qom "the Shia Vatican". President Ahmadinejad is reported to have said that when Islam ruled the world Qom would be its capital. Rome need not worry: Qom will never compete for its tourists. At first glance, despite the imposing golden cupola of the Sayyeda Fatima shrine, this desert city some 100km (60 miles) from Tehran is a backwater, devoid of grace and greenery. Its seminaries, however, are home to perhaps 60,000 clerical students. And the broad highway that slices from Tehran to Qom through a moonscape of scrubby desert and salt lakes is a clue to the city's importance. It was from Qom that Ayatollah Khomeini began to denounce the shah, and it was in Qom that he set up his revolutionary government after returning from exile in France. This seems the right place to see whether the system he created can be changed from within.

Eyevine



Sceptical, after their fashion

Why suppose that Qom of all places might become an agent of change? Conventional wisdom from afar saw the success of Khomeini's revolution as Qom's victory too. Didn't the revolution stop modernisation in its tracks and jerk Iran back to the Middle Ages, delivering political power to turbaned clerics in thrall to an unfathomable theology? And does it not follow that the turbaned clerics of Qom have a strong belief, buttressed by a strong vested interest, in preserving the theocratic principles of that revolution?

As a matter of fact, no. Khomeini's central idea, the doctrine of *velayat-e faqih*, gives the Islamic Republic its theological underpinning. This holds that until the appearance of the Shias' "hidden imam" (of which more below) society should be governed by a supreme leader, the clerical judge best qualified to interpret God's will and the meaning of Islamic law. It is this doctrine that makes Ayatollah Khamenei

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supreme leader and all others subordinate to him. But Qom itself has never felt completely at ease either with Ayatollah Khomeini's idea or Ayatollah Khamenei's succession. Indeed, many of the most revered clerical minds in Qom see this doctrine, and especially the way it has been implemented since Khomeini's death, as negating their tradition.

Politics and the hidden imam

To understand why requires a digression into theology. The quarrel between Sunnis and Shias is about succession. Shias believe that the last rightful imam to follow Muhammad was his son-in-law Ali, but that he and his ten successors were murdered by Sunni caliphs. The twelfth imam therefore went into hiding, promising not to return until the end of time. Most Shia clerics have long held that during this period of "occultation" there can be no lawful political authority. Until the emergence of the hidden imam, politics must be inherently invalid and men of religion should be careful not to implicate themselves in it.

Velayat-e faqih seems to turn this long-standing assumption upside down, especially when it is interpreted as implying that the *faqih* derives his authority from God and is not answerable to the people. Many of Qom's clerics flatly repudiate this idea. They say that there exists no blueprint for government during the time of occultation, and that nobody has special authority to guide society during this period.

It is not clear exactly how the theological arguments of Qom travel from the seminary into Iran's politics, but they do. President Khatami's reform movement drew heavily on the views of clerics, some of whom were astonishingly outspoken. One, Hojatoleslam Mohsen Kadivar, began to argue in the 1990s that Iran could not have clerical rule and claim to be a democracy at the same time. He was jailed for saying that the freedom Iranians had sought through their revolution was being replaced by a new clerical despotism. From house arrest, Grand Ayatollah Ali Hossein Montazeri, a revered cleric who was Khomeini's designated successor before complaining too much about the mass execution of political prisoners after the war with Iraq, supported Hojatoleslam Kadivar. "What the conservative leaders are practising today is not Islam, and I oppose it," he said.

Such criticisms are especially damaging to the present supreme leader. Ayatollah Khomeini was not just the father of the revolution but also a charismatic scholar of immense learning. In the eyes of Qom, Ayatollah Khamenei is by contrast a clerical lightweight (but effective politician) whom Khomeini prematurely fast-tracked to ayatollahdom when he was looking for a successor. What was acceptable in the charismatic is not necessarily acceptable in the apparatchik.

Although the government has tried to stifle dissent, Qom remains an argumentative place, continuing to exert a potentially disruptive influence on politics. Even during the present crackdown, the visitor to its seminaries quickly encounters a spectrum of clerical opinions on everything from *velayat-e faqih* to the wearing of the *hijab* to relations with Israel and America. "Qom's seminary is like an ocean in which you can find anything you desire," Hojatoleslam Kadivar told a recent interviewer from *Asharq Al-Awsat*, a pan-Arab daily.

To sample the range of opinion, meet two clerics from opposite ends of this spectrum. Hojatoleslam Fazel Maybodi teaches at Qom's Mofid University, a traditionally liberal seminary. A jolly, grey-bearded cleric proud of his smattering of English phrases, he explains at once that although Qom is not a place for political decision-making—that is the job of the government—"theoretical" debate about Islam's relationship with politics takes place freely. On *velayat-e faqih* he says that the views of the most senior ayatollahs are not uniform. For example, Ayatollah Sistani, a revered cleric based in Iraq but also widely admired in Iran, has approved Iraq's post-Saddam constitution. This gives ultimate authority to elected politicians rather than clerics. "I don't believe that all political ideas should come from within Islam," says Hojatoleslam Maybodi. "Politics is an experimental, man-made activity and Islam should respect it."

In Qom, unlike many parts of Iran, all the women wear full black *chadors*; around the town billboards with anti-Semitic motifs still advertise the recent exhibition of cartoons poking fun at the Holocaust. But liberal clerics like Hojatoleslam Maybodi are happy to dissent from the party line. He says it was "not correct at all" for Iran to have raised this issue: the genocide of the Jews was an ugly phenomenon and the number murdered was for historians to determine. As to whether Iran could ever accept the right of Israel to exist, Hojatoleslam Maybodi says the two countries could well make peace provided the Israelis and Palestinians reached an agreement. Both sides have their extremists, he admits, but "what's the problem with Muslims living next to Jews?"

The spirit of *ijtihad*—the idea that Islamic law can and should be reinterpreted to match the circumstances of the day—is strong in Shia Islam. Hojatoleslam Maybodi says bluntly that *sharia* law discriminates against women and should therefore change. He argues that the unequal treatment of women (such as their smaller claims on blood money or inheritance) stems from a time before women were economically active. As for the crackdown on "bad *hijab*", Hojatoleslam Maybodi expresses a view often voiced by Iran's clerics. When the state uses coercion in the name of religion, it is in danger of turning the people away from Islam.

The views of individual clerics should not be given too much weight. If, as Hojatoleslam Kadivar boasts, Qom is an ocean, it is difficult at any particular moment to judge which way its tide is running. Many of the ayatollahs are arch-conservatives in social matters. Some were scandalised by Mr Ahmadinejad's suggestion that women should be allowed to watch football matches—an idea he had to withdraw.

So, at the other end of Qom's spectrum, meet the suspicious, unsmiling Hojatoleslam Mohsen Gharavian. He is a student of Ayatollah Mesbah Yazdi, the extreme hardliner said to be Mr Ahmadinejad's spiritual adviser. Ayatollah Yazdi and those who think like him have little regard for democracy and no compunction about employing coercion if the people refuse to embrace piety voluntarily. "The prophets of God did not believe in pluralism," he once said. "They believed that only one idea was right."

And yet the views of Hojatoleslam Gharavian turn out to be more nuanced than his teacher's. Although he claims that *velayat-e faqih* is accepted unanimously in Iran by conservatives and liberals alike, he concedes that there are differences of opinion about the extent of the supreme leader's rightful authority. He agrees that it may be

time to grant women equality in respect of blood money but wants cautiously to "wait and see" when it comes to the law on inheritance. He is unflinching on the compulsory wearing of the *hijab*: like gold, silver and jewels, he says, it is natural for society to want to keep women safe from the avarice of men.

He is implacable on Israel, too: it belongs to the Palestinians and its government should be in the hands of the Muslims, he says. But that does not mean that Jews cannot live there; and he concedes, when pushed, that if the Palestinians chose to make a gift (*hebeh*) of part of it for a Jewish state, that would be their affair.

Open to the world

Qom—or at least the idea of Qom—sums up many of the things the secular mind finds frightening about Iran's revolution. From here the clerics' view of the righteous way is projected not only throughout Iran by the machinery of the state but also into the world beyond by the power of the internet. Behind one unprepossessing façade you will, for example, find the Aalulbayt "Global Information Centre". Affiliated to Ayatollah Sistani, this outfit operates four global websites in some 30 languages, pumping out personal, spiritual and political teaching to the faithful in scores of countries. Its director, Hojatoleslam Lajarvadi, boasts that Qom hosts more websites per head of population than anywhere else in Iran.

All this helps to explain how it is possible from Israel or America to see Qom as the nerve centre of global fundamentalism. But Qom is not homogenous. Besides, it imports ideas as well as exporting them. Mofid University, for example, holds regular human-rights seminars in which Jews and Christians from outside Iran take part. Its students read books on Western philosophy, and many travel to America and Britain to study. Moreover, Qom is wired: every student, says Hojatoleslam Maybodi, has access to the internet. That may be one reason why, as with young people the world over, the study of English has lately become a preoccupation.

Above all, it is a mistake to associate Qom with the messianic views of Mr Ahmadinejad and his coterie. A lot of senior clerics are appalled by the new president's frequent claims that the appearance of the hidden imam is imminent and its timing somehow connected with the political zeal of the present government. Their distaste for Mr Ahmadinejad helps explain why, when he endorsed a slate of candidates affiliated to Ayatollah Yazdi for election to the Assembly of Experts last December, they were roundly defeated by candidates associated with his centrist rival, Ayatollah Rafsanjani.

Well before the election of Mr Ahmadinejad, Qom was home to clerics who said the revolution had taken a wrong turn, creating a new despotism and turning people off religion by using state power to ram it down their throats. Even in the Shia Vatican, out in the desert, Iran's beleaguered revolutionaries are finding it hard to keep dangerous ideas at bay.

Khomeini's children

Jul 19th 2007

From The Economist print edition

Not happy, but probably not eager to become Westernised either

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AN EXOTIC country that is viewed mainly through the filter of its foreign policy and its televised public rituals is liable to be misunderstood. So it is with America in the eyes of Iranians and with Iran in the eyes of Americans.

Eyevine



Not talking about a revolution

Iran took an American embassy hostage. It may have had a hand in the bombing of the American marine barracks in Lebanon in 1983 and it stands accused now of helping to kill American soldiers in Iraq. It is not surprising that many Americans consider Iran a bitter foe.

Nor is it surprising that Iranians return the favour. America organised the coup against Mossadegh, supported the shah, helped Saddam in the Iran-Iraq war, invaded two of Iran's neighbours and imposes sanctions on Iran. The Iranian regime considers America an implacable foe and routinely denounces it, in political speeches and organised rituals such as those fiery Friday prayers, as the Great Satan or "the Global Arrogance".

And yet, as this special report has already noted, many of the smartly dressed young people of Tehran seem quite unmoved (some are amused) by the official hate-mongering. They do not admire George Bush. But to judge by dress, behaviour, viewing and consumption habits—and even more by the regime's terror of a creeping "Westoxification"—they do admire at least some of America's ways.

Not surprisingly, the attitudes of the young are a source of anxiety to the revolution's managers. Young people and especially university students played a significant part in bringing down the shah, and now there are many more of them. The population

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has doubled since 1979, which means that two out of three Iranians are under the age of 30 and fewer than one in three can remember the revolution. Young Iranians are also much better educated these days: literacy is near-universal and the student population has soared. The demographic surge has been accompanied by rapid urbanisation: seven out of ten Iranians now live in cities.

The young suffer disproportionately from the regime's failures. In 2006, by the government's own reckoning, nearly every other Iranian between the ages of 25 and 29 was unemployed. A lack of jobs is no doubt one reason for the prevalence of heroin addiction and other social ills. In this nominally austere society, alcohol is consumed widely, even though it is illegal for Muslims. Prostitution is widespread.

Will the disaffection of the young bring down the regime? That is what those outsiders who see the Islamic Republic as a crude despotism lacking popular support sincerely hope. But how many Iranians see their regime that way? It seems highly likely that if the government continues to thwart the aspirations of young voters, they will punish it at the next election. Yet it would be a terrible mistake to assume that every youthful, fast-urbanising country facing economic hardship must be eager to throw off its regime and embrace Western values.

Iran remains a strongly religious society. Though the proportion of city-dwellers has soared, they are different from the atomised individualists of Europe or North America: the extended family and traditional social networks have survived even in teeming Tehran. And though the government is not popular, most Iranians seem to accept its right to govern. One sign that millions continue to have faith in the country's institutions is that more than 60% of eligible voters turned out in the presidential elections of 2005, at a time of deep cynicism following the blocking of President Khatami's political reforms.

The difference a year makes

A year ago an American firm, Zogby International, polled Iranians on a range of issues by phoning in from abroad. At that time 41% of those polled said the country's top priority should be the economy, 27% thought developing nuclear weapons was more important and only 23% put more freedom at the top of their list. Those who wanted Iran to become more religious and conservative (36%) outnumbered those who wanted it to become more secular and liberal (31%). However, in a similar poll last month by "Terror Free Tomorrow", an American think-tank, 88% saw the economy as the top priority, compared with 29% who listed nuclear weapons. And 79% said they would prefer a democratic system in which all leaders, including the supreme leader, were elected by a direct popular vote.

Given that Iranians are naturally wary about what they tell strangers on the phone, these are striking results. They underline the regime's economic vulnerability. What they do not prove is that Iran is ripe for counter-revolution.

President Ahmadinejad may not be much of an economist, but he is a shrewd politician. He may not appeal to the gilded youth of north Tehran, but he was able in 2005 to scoop up the votes of the traditional lower and middle classes. Many of his policies, such as cheap home loans for new couples, are aimed at consolidating the

support of this group. For millions of young Iranians in the Revolutionary Guards, the Basij militia or government service, the revolution remains an economic provider as well as a moral compass.

For how long? Iranians gave the reformists two terms before deciding that they could not deliver. If President Ahmadinejad fails them, he too will eventually have to go—and his failure may inflict collateral damage on the supreme leader and the conservative establishment that backed him. In the longer run, Iranians may conclude that the whole theocratic system might prove unworkable. But one thing that could help to save it would be a military attack by the West. Young Iranians may grumble, wear jeans, drink Pepsi and watch football. But they are nationalists whose instinct in the face of external attack will surely be to rally around their leaders, no matter how flawed.

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