

Iran under Hassan Rohani: Imperatives for the Region and India

*Meena Singh Roy, Rajeev Agarwal, Prasanta
Kumar Pradhan and M Mahtab Alam Rizvi*

*Dr Meena Singh Roy & Colonel Rajeev Agarwal are Research Fellows and
Dr Prasanta Kumar Pradhan & Dr M Mahtab Alam Rizvi are Associate
Fellows at the Institute for Defence Studies and Analyses, New Delhi*

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Summary

The victory of Hassan Rohani in the Iranian presidential elections has raised hope in several quarters that Iran will be entering into a new era of rapprochement. Rohani has indicated during his election campaign and in his post election press conference that he will initiate talks with the neighbours as well as the US over the nuclear issue. His accommodative overtures have potentials of driving Iran into a new era of relationship with the neighbourhood as well as with the US. If Iran and the West become able to strike a deal over the nuclear issue, India will also benefit from the situation. Looking at Rohani's approach, it seems India-Iran relationship will not deteriorate further than the Ahmedinejad regime.

The victory of moderate cleric Hassan Rohani as the President of Iran in many ways is a clear indication of continuity with some change in Iran's foreign policy in future. In the light of new developments in the region, Iran's major foreign policy challenge is to improve its relations with the West and its neighbours and overcome its isolation. From this point of view, Rohani provides a ray of hope in terms of some departure in Iran's foreign policy. This was well articulated by President Rohani in his first press conference as well. The Issue Brief is divided into two parts. The first part looks at the internal political dynamics leading to the victory of Rohani and the second part examines implications change in Iranian leadership post Ahmedinejad for the region and India. The Issue Brief argues that Iran's foreign policy is likely to witness some remodelling but no major departure from the past.

Rohani's Victory and Internal Dynamics

After eight years of hardliners' rule, moderate cleric and reformist candidate Hassan Rohani was elected as Iran's 11th President on June 14, 2013. The election results came as a surprise not only for the world but also for the Iranians. Rohani secured 50.7 percent (18,613,329) votes and defeated the principlist candidate Mohammad Baqer Qalibaf, who secured only 16 percent (6,077,292) votes. Nearly 50.5 million Iranians were eligible to participate in the elections, and Iran's Interior Ministry announced that the voter turnout was 72.7 percent.¹

There are some internal electoral factors which went in favour of Rohani. First, the reformist candidate Mohammad Reza Aref withdrew his candidature and extended his support to Rohani. Second, the endorsement by former Iranian presidents and powerful reformist politicians like Akbar Hashemi Rafsanjani and Mohammad Khatami and their appeal to the people to vote for Rohani strengthened his position. Third, there was division of votes among the principlist candidates like Qalibaf, Jalili and Velayati. Despite appeal by the powerful cleric Ayatollah Khatami, principlists did not unite and agree for a single candidate to avoid the division of votes. Fourth, more than 1.6 million first-time voters who are young, modern in their outlook and seek changes in their society have chosen to vote in favour of Rohani. Lastly, all the candidates promised for economic reforms but no one made statements regarding easing of tensions with the West and allowing for greater freedom of the press and avoiding unnecessary interference in public life of the people except Rohani. In addition, Rohani made commitments to improve relations with the neighbouring countries, end international sanctions and, most importantly, improve Iran's

¹ "Iran's President-elect Rohani to hold first press conference", *Press TV*, June 16, 2013, available at <http://www.presstv.com/detail/2013/06/16/309283/presidentelect-rohani-to-hold-1st-presser/> (accessed on June 17, 2013).

economic condition. Iran's currency, the rial, has dropped by more than 50 percent since last year due to sanctions and the inflation rate has also gone up by more than 32 percent.²

Rohani is an experienced cleric and politician who presently represents the Supreme Leader, Ayatollah Khamenei in the Supreme National Security Council (SNSC), and is a member of the Expediency Council and the Assembly of Experts. He is also the director of the Expediency Council's Centre for Strategic Research. In his first press conference on June 17, 2013, Rohani expressed "constructive interaction" with the world through a moderate policy and his administration of "Prudence and Hope" in serving the national objectives. He also said his administration will take steps to ease the "brutal sanctions imposed against Iran over its nuclear programme..."³

Rohani was the head of SNSC and chief negotiator of Iran nuclear programme during 2003 and 2005 under the presidency of Mohammad Khatami. It was during this time that Iran's covert nuclear programme was discovered in 2003 and the subsequent negotiations led to the famous "Tehran Declaration"⁴ signed between Iran and the E-3 (UK, France and Germany) leading to Iran freezing its nuclear enrichment programme and offering additional protocols to the International Atomic Energy Agency (IAEA). Rohani was the architect from the Iranian side.

In the present context, nuclear issue and its resolution holds the key to Iran's most acute problem; the economic crisis. Crippling sanctions have had an adverse effect on the economy which is slowly emerging as a serious issue of public discontent. The Supreme leader and the President would be hoping that fresh talks under the new leadership could ensure movement forward on the nuclear issue and easing of some economic pressures on Iran.

Rohani, in his first televised speech on June 17, 2013 said, "The sanctions are unfair, the Iranian people are suffering, and our (nuclear) activities are legal. These sanctions are illegal and only benefit Israel", adding that the period of international demands for an end to the nuclear enrichment is over and that the idea is to engage in more active negotiations with the 5+1, as the nuclear issue cannot be resolved without negotiations.⁵

² "Iran's Inflation Rate Rises To 32.6%", *Middle East Economic Survey*, June 28, 2013, available at <http://www.mees.com/en/articles/7928-irans-inflation-rate-rises-to-32-dot-6-percent> (accessed on June 28, 2013).

³ "Iran seeking constructive interaction with the world," *Mehr News Agency*, June 18, 2012 available at <http://old.mehrnews.com/en/newsdetail.aspx?NewsID=1823646> (accessed on June 18, 2013).

⁴ Statement by the Iranian Government and Visiting EU Foreign Ministers, 21 October 2003, IAEA Website, available at http://www.iaea.org/newscenter/focus/iaeairan/statement_iran21102003.shtml (accessed June 16, 2013).

⁵ "Iran's president-elect Rowhani warns against foreign intervention in Syria", *Hurriyet News Daily*, June 17, 2013.

Rohani with his experience and deliverance on nuclear issue in the past offers hope for some flexibility. Thus, there is strong likelihood on renewed engagement on nuclear talks in the near future. While it may not result in closing down of Iran's nuclear programme, it might result in some additional concessions from Iran in return for some economic sanction ease by the West – a 'face saving exit' for all parties.

Constitutionally, Iran's president does not have the authority to set major policies such as the direction of the nuclear programme or Iran's relations with the West. All such decisions are taken by the Supreme Leader. Under the current constitutional system, the President can, at best, use his office and his proximity to Khamenei, Rafsanjani and Khatami to influence policies. Rohani will serve as Iran's main international representative and is likely to present a different tone than his predecessor, Mahmoud Ahmadinejad.

Rohani can take inspirations from the reformist president Khatami who despite certain disagreements with Khamenei still managed to carry out his policies particularly towards Saudi Arabia and the European countries. The only policy area where Khatami could not impress Khamenei was in his approach to the US. Khamenei remained rigid and cynical about any diplomatic relations with the US but understood that Iranian national interests require furthering relationship with its neighbours as well as its European trading partners. However, during that time Iran supported the US indirectly by helping the former in Afghanistan in the wake of the 9/11 terrorist attacks. Rohani can take cue from the past and follow the reformist policy of 1997-2005.

Iran and the Region

The 2013 presidential elections in Iran came at a time of tremendous upheaval in the West Asian region. The uprisings in the Arab world over past the past two years had created widespread political turmoil. Although Iran was not directly affected by the protests, it had to contend with heavy economic sanctions which were crippling its economy and creating undercurrents of domestic discontent. Added to that, the Syrian crisis in which Iran found itself waging a lone battle in attempts to keep the Assad regime afloat. Of course, Russia and China ensured that the UN Security Council does not pass any resolution against the Syrian government. In such a scenario, Iran presidential elections were closely watched particularly on how Iran would frame its relations with regional powers.

In context of the region, the major stakeholders which directly effect Iran are the Gulf Cooperation Council (GCC) countries, Turkey, Israel, Egypt and of course, Syria. While Saudi Arabia-led GCC countries are traditional and ideological adversaries, it is the others who would greatly impact Iran and Rohani has already pointed towards a new relationship with the region which could offer a glimmer of hope and optimism.

Rohani's conciliatory approach towards the GCC countries

Like all the earlier Iran elections, the Arab Gulf monarchies have carefully watched the unfolding of events and are hopeful that under the Rohani presidency their relationship will substantially improve. The Gulf countries relationship had come under considerable strain during Ahmedinejad, especially in the last couple of years since the onset of the Arab Spring.

Rohani's approach towards the GCC countries' concern about the Iranian nuclear programme would remain an important yardstick to restore ties with the Gulf states. Ahmedinejad rigorously pursued the nuclear agenda and he never gave any convincing response to the GCC countries' anxiety over the Iranian nuclear programme. Rohani has, in the past, headed the nuclear negotiating team and thus one is not sure how his approach will be noticeably different than that of his predecessor.

Iran's relationship with Saudi Arabia, to a large extent, defines Iranian motives in the region. Rohani has already expressed his intention to restore Iran's relationship with Saudi Arabia and reversing it into "mutual respect and mutually beneficial arrangements."⁶ Showing further optimism, he also went on to say that "Iran and Saudi Arabia can collectively play a positive role in dealing with major regional issues, such as the security in the Persian Gulf."⁷ If Rohani sticks to his stated intention of strengthening ties with Saudi Arabia, then it would be a game changer in the region. It must be mentioned that Saudi-Iran relations touched new low in the aftermath of beginning of the protests in the Arab world when Iran supported the protesters on the streets against the rulers and Saudi Arabia asked Iran not to intervene in the Arab affairs. Both countries are at present involved in political battles in the places like, Iraq, Yemen, and Syria. This would remain a challenge for Rohani. Saudi Arabia has, on its part, expressed hope that Saudi-Iran relationship will strengthen during the Rohani presidency.

For the GCC countries, Iran's ambition to spread its influence and dominate the region is alarming. Iran has, either consciously or unintentionally, given the impression that it intends to be the regional power in the Gulf. The concerns of the GCC countries have been further aggravated as a result of Iranian connection with the Shia population in other countries and most notably, with the Hezbollah. Developments in the wider West Asia region such as the Syrian crisis, Yemen conflict, insecurity in Iraq, the emergence of Islamist political forces such as Muslim Brotherhood and Ennahda are some of the challenges that Rohani will have to face immediately. Interestingly, the GCC countries have major stakes and interests in all the above issues. Such a complex political and security

⁶ See "In conversation with Hassan Rouhani", *Asharq Al Awsat*, June 12, 2013, at <http://www.aawsat.net/2013/06/article55305525> (accessed June 14, 2013).

⁷ Ibid.

situation demands more cooperation between Iran and other neighbouring countries of the region. The coming months will test Rohani's wisdom in dealing with the Arab Gulf neighbours. The optimism expressed by Rohani may not make the GCC leaders believe that Rohani will come to them with an olive branch, but it certainly does help create a space for the GCC countries to look at Iran more positively.

But alongside Rohani's interest and optimism lies the stark reality. Issues between the GCC countries and Iran are complex and contentious and not easy to resolve. Any resolution, if at all, will require major alterations to Iran's regional foreign policy objectives, which is unlikely to happen. Issues such as the nuclear controversy, Iranian ties with the Shia population in the GCC countries, dispute over the three islands of Abu Musa, Greater Tunb and Lesser Tunb with the UAE and the larger political and strategic objectives in the region would require establishing trust with the GCC countries besides the usual political and diplomatic endeavours. Rohani will have his work cut out.

Turkey

Iran and Turkey have enjoyed a great run as friends, sometimes at the cost of Turkey's ally in the past Israel. Lately, however, relations have soured over the crisis in Syria. Turkey is supporting the Syrian opposition and along with Saudi Arabia, Qatar and the Western countries is providing aid and support to them. Turkey has even permitted stationing of NATO Patriot missile batteries on Syrian-Turkish border. This has led to friction between Iran and Turkey. Most recently, Turkey even accused Iran of instigating protesters during the rally in Taksim Square in Istanbul.⁸ Given his background as a cleric, Rohani is likely to align with the Islamic leaning AKP-led government in Turkey. Turkey is one of Iran's largest trading partners and critical for Iran's economic revival. With Turkey facing major regional crisis with its "Zero problems with neighbours" and Iran isolated due to its nuclear programme and the Syrian crisis, it is likely that Rohani and Turkish prime minister Erdogan would put aside minor irritants and forge stronger ties. However, the recent domestic anti- Erdogan protests could impact Turkey's future political roadmap and equally effect ties with Iran too.

Israel

Israel welcomed Rohani's election cautiously. But it would be hard to expect any miraculous change in Iran-Israel relationship given the depth of mutual mistrust and rhetoric. While Prime Minister Benjamin Netanyahu has warned that international pressure on Iran must not be loosened,⁹ Israeli president Shimon Peres sounded more optimistic while saying that he hoped Rohani's election would bring about change.¹⁰ Rohani's

⁸ "Iran rejects media claims of involvement in Turkey unrest", *Press TV*, June 17, 2013.

⁹ "Iran election: Israel issues warning after Rouhani win", *BBC News*, June 16, 2013.

¹⁰ Ibid.

background as a reliable and shrewd negotiator might ally some fears in Israel. Also, the departure of Ahmadinejad and his frequent rhetoric that Israel does not deserve to exist¹¹ would ease some of the hardliners in Israel.

Egypt

While grappling with domestic issues like economy, the new constitution and the parliamentary elections, Egypt is also trying to re-engage with regional stakeholders in the region. Iran had welcomed the election of President Mohamed Morsi and has been supporting the Muslim Brotherhood government ever since. Iran also supported Egypt in its initiative to launch a Quartet in solving the Syrian crisis.¹² However the ouster of Morsi from power and the current uprisings has raised questions on the future political stability in Egypt posing new challenges for Iran-Egypt relations which were at a nascent stage. So far, Iran, despite its known support for Muslim Brotherhood has reacted very cautiously to the developments in Egypt, thus keeping its options open. Iran's foreign Ministry has called the crisis as the Egyptian people's "legitimate demands" which should be fulfilled. The Supreme leader has not yet publicly reacted but Ayatollah Ahmad Khatami said during Tehran's Friday prayers that "Instead of inviting the Islamic world to unite, (Morsi's government) supported the murdering infidels. On political front they dealt with the Zionist regime in a way that was against their previous principles."¹³

Imperatives for India-Iran Relations: Continuity or Change?

From India's perspective, what does the change in Iran's leadership mean for the two countries relations? The India-Iran relations¹⁴ under Rohani will depend on the following factors: First, what is going to be the focus of the new government in Tehran? Will it prioritise its focus on improving ties with West and its immediate neighbours or will it give equal attention to other Asian countries? Second, how India is able to balance its relations with Israel, the US and the GCC countries and Iran? Third, how will Iran-US relations unfold in the future?

¹¹ "In New York, defiant Ahmadinejad says Israel will be "eliminated"", *Reuters*, 24 September 2012.

¹² Egypt proposes formation of Muslim Quartet on Syria, *Radiance Weekly*, available at <http://www.radianceweekly.com/321/9256/gambling-with-egypt039s-generals/2012-08-26/muslim-world/story-detail/egypt-proposes-formation-of-muslim-quartet-on-syria.html> (accessed June 16, 2013).

¹³ Golnaz Esfandiari, "Iran's Ayatollahs Blame Morsi's 'Pro-Israeli, pro-U.S. Stance for Egypt Crisis", at <http://www.rferl.org/content/iran-ayatollahs-blame-morsi-egypt-crisis-israel-us/25038079.html> (accessed on July 9, 2013).

¹⁴ For details see Meena Singh Roy, "India-Iran Relations: Sustaining the Momentum", *IDSA Issue Brief*, May 20, 2013, available at http://idsa.in/issuebrief/India-IranRelations_msroy_200513, (accessed June 26, 2013).

Although there was no reference to India in Rohani's press statement but given the current level of political and economic engagement between the two countries, Rohani is expected to continue on the same line. In the past few years both India and Iran have been trying to manage their economic, energy and political cooperation in the shadow of the US and European Union sanctions. Iran which was the second largest supplier of oil to India lost this position to Iraq. There is an effort on the part of both India and Iran to enhance connectivity through the International North South Transport Corridor (INSTC) and the Chabahar Port, which will help connect South, Central and West Asia to Europe. India's decision to upgrade the Chabahar Port project was conveyed during the External Affairs Minister's visit in June. India has agreed to invest US\$100 million in free trade zone in Chabahar. The significance of Chabahar Port is that it will facilitate a transit route to land-locked Afghanistan. Despite direct road links, Pakistan does not allow transit facility from India to Afghanistan. Therefore, connectivity through the Chabahar Port could become an important route linking India to Afghanistan and Central Asia. In this context, two important developments merit some attention:

1. Recently Iranian Oil Minister and Managing Director of the National Petrochemical Company (NPC) stated that petrochemical hubs will be created in Lavan Island in the Persian Gulf and Chabahar region in the South-eastern province of Sistan and Baluchestan. Lavan hosts Iran's big gas and oil fields. Creation of petrochemical hub in Chabahar will help reduce the cost of petrochemical exports to both India and China.¹⁵
2. The second important development from India's point of view is China's recent offer of Euro 60 million credit to Iran to upgrade the Chabahar Port.¹⁶ In recent years, China has emerged as major trading partner of Iran.¹⁷ In such a scenario, India will have to expedite its involvement in Chabahar project project.

Equally important has been India-Iran cooperation in the regional context. Both countries share common concerns in Afghanistan. In the light of the US withdrawal from Afghanistan India, Iran and Afghanistan need to enhance their cooperation. It is unlikely that under Presidency of Rohani India-Iran relations will witness reversal of initiatives taken by both the countries in past few years. Iran under President Rohani is expected to enhance cooperation with India in the areas of energy, connectivity, trade and on the issue of

¹⁵ "Oil Minister: Iran Plans New Petrochemical Hubs in Lavan,Chabahar", at <http://english.farsnews.com/newstext.aspx?nn=13920404000870> (accessed on July 9, 2013)

¹⁶ Amitav Ranjan, " As China offers funds to Iran,India set to Fast-track Chabahar pact", at <http://www.indianexpress.com/story-print/1136084/> (accessed on July 9, 2013)

¹⁷ China is Iran's major trading partner and the largest importer of oil, buying 22 per cent of Iranian oil at 'Iran Battles to Sell a Quarter of Oil Exports', *Financial Times*, 20 February 2012, p. 1.

Afghanistan. The Mangalore Refinery and Petrochemicals (MRPL) which is Iran's major Indian client had to halt imports from Iran in April because of the impact of sanctions is now working on plans to resume oil imports from Iran.¹⁸ At the same time both India and Iran are trying to increase its current trade which is around US \$15 billion out of which Indian exports account only for around US \$2.5 billion. Oil remains biggest item of India's import from Iran. However, it will be onerous task for both the countries to put the bilateral cooperation in economic and energy sector on fast track because of indirect impact of the US and EU sanctions. What one is likely to see is incremental movement between India and Iran in years to come. In addition, if Iran's relations improve with West, India-Iran ties will get further impetus.

Conclusion

Against the new geopolitical and geo-economic realities one cannot expect a radical shift in Iran's overall foreign policy either towards its neighbours or its relations with the West. But what one is likely to witness is some remodeling in Iran's foreign policy which would address its internal economic challenges and reduce the impact of harsh economic sanctions. At the same time, it is equally significant to mention that Iran's regional role will be conditioned by its future relations with the US and Europe, level of its engagement with countries like China, Russia, Turkey and Egypt, and managing its economic challenges, particularly in dealing with the sanctions.

In foreign policy matters, Rohani has made gestures to strengthen relationship with his immediate neighbourhood and beyond and has adopted a moderate approach. His overture of strengthening relationship with Saudi Arabia holds a lot of promise for peace and security in the Gulf region. Similarly, his pronouncement of talking to the West over its nuclear programme and the related sanctions also raises hope that Iran under Rohani will be more accommodative than the previous regime. It is equally important to note that the final authority still remains with the supreme leader both on internal and external issues. Therefore Rohani's power to take decisions on certain domestic and foreign policy issues will be subject to supreme leader's approval. In case of India Iran relations it would be logical to presume that during Rohani's presidency the relations are not likely to deteriorate. Future relations will demand continuous push from both the sides.

¹⁸ "India's MRPL ready to resume Iran oil imports", at <http://old.mehrnews.com/en/newsdetail.aspx?NewsID=1824350> (accessed on July 9, 2013)