DOLLAR & SENSE: THE BROOKINGS TRADE PODCAST

"Will protests in Iran end the Islamic Republic?"

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Episode Summary:

Suzanne Maloney, vice president and director of Foreign Policy at Brookings, speaks with David Dollar about what the continuing demonstrations in Iran over the death of Mahsa Amini could mean for regime stability, plus Iran's economic situation, the prospects of Iran returning to some form of a nuclear deal with the West, and what it would take for the U.S. and Iran to have a better relationship.

MALONEY: I think what we're seeing is a is a very complex movement. It still does not have a shape that I think leads us to the natural conclusion of what where this may go. But I don't think it's going to be readily quashed. And I think that we are going to see this continue to escalate and continue to cause real difficulties for the continuation of the Islamic Republic in Iran.

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DOLLAR: Hi, I'm David Dollar, host of the Brookings trade podcast Dollar and Sense. Today, we're going to talk about Iran. My guest is Suzanne Maloney, the director of the Foreign Policy wing of Brookings and a leading expert on Iranian politics and diplomacy.

But before we begin, I want to tell you about a new podcast from Brookings called the Brookings Podcast on Economic Activity, featuring cutting edge economic policy research and the economists who create it. Here's more.

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DOLLAR: Welcome to the show, Suzanne.

MALONEY: Thanks so much, David. I'm glad to be here.

DOLLAR: So, Iran has been in the news, obviously, recently with widespread demonstrations across the country and harsh repression to counter them, certainly in some cases. So, what has been the immediate catalyst for these demonstrations?

MALONEY: Well, the latest round of protests seems to have erupted in the aftermath of the death of a young woman who was taken into custody while visiting Tehran. Her name is Mahsa Amini, and she's received a lot of attention. So, it's important to say her name, as many of the protesters have demanded. Mahsa was a visitor to Tehran from her home in the Kurdish region of Iran. She was apparently stopped for her dress. In Iran, it is required that women adopt a modest dress code consistent with Islamic prescriptions. How that is interpreted depends entirely on the individual. And there have been periods of time in which enforcement has been lax. More recently, after Iran went through an election that produced a much more conservative president, hard line president, and certainly as the country has been under a lot of external and internal pressure, there has apparently been a push to enforce those dress codes and Islamic morality laws more harshly.

And so, Mahsa Amini, a young woman of only 22, was taken into custody. She died in custody. This when made public seems to have elicited just an enormous outpouring of fury and frustration that I think has been building for a number of years, not simply because of the dissatisfaction with the morality codes and other elements of ideological rule in Iran, but more broadly, with frustration over the pace and nature of political and social reform, and frustration with the state of the economy.

And so, this latest round of protests is really a culmination of instability within Iran, which has existed since the very earliest days of the revolution. But building, I think, on at least a dozen years of increasingly significant and destabilizing unrest over both political and economic issues.

DOLLAR: So, Suzanne, you mentioned both the economic and the political issues. Maybe the political issues are dominant, but I am curious about the role of the economic issues. The West has had pretty harsh sanctions against Iran, against the Iranian economy for some time now. So, is this having a significant effect on ordinary people's lives? Is Iran able to get around these sanctions to a large extent? So, do you think this is an important part of the discontent, or do you think it's more on the political/social side?

MALONEY: I think economics is always in the backdrop of Iran's view of their own system and of their own daily lives. I haven't been able to visit Iran now in almost 20 years, but even when I was traveling there and able to study and do research there, one of the first topics that people brought up was their concerns about sanctions and the feeling that they were cut off by the United States from the international community.

Obviously, the sanctions have greatly intensified since that period. The economic impact as a result of the reliance on financial measures rather than on explicit trade sanctions has magnified significantly over the course of the past five years, in particular, especially after President Donald Trump withdrew the United States from the 2015 nuclear deal with Iran, which had provided a measure of sanctions relief and had been perceived as a huge opportunity for the Iranians to rejoin the international financial system and reap the benefits of an economy which is reasonably advanced and diversified, with a strong reliance on energy resources, of course.

As a result of sanctions, but more particularly as a result of mismanagement over the past 43 years under Islamic rule, Iran has never reached anything like the economic potential that was briefly seen in the 1970s under the monarchy, whether in terms of oil production, but also just in terms of making the most of an incredibly well-educated population and a diverse natural resource and advanced industrial base.

And so what we've seen is economic complaints are as common as the weather among Iranians, but they have really magnified since the 2017 withdrawal from the nuclear deal, in part because people's expectations were raised as a result of that deal. There was a sense, the leaders of Iran at the time declared in 2015 and 2016 when the deal went into implementation that Iran had triumphed, that this was a huge victory, that Iran was, at least in the language of some of the leadership, no longer under any international economic pressure.

Of course, that was not actually the case. The sanctions that were either waived or suspended as a result of the nuclear deal represented only a small proportion of the overall U.S. economic framework to pressure Iran, in part because many of the other concerns about Iranian policy remain, whether support for terrorism, repression at home, and other concerns about both domestic and foreign policy.

And so there was never the sort of bonanza that many Iranians were anticipating. There was a lot of hesitation from the international financial community, in particular, to return to Iran. So, there was certainly some positive growth after the nuclear deal, but not at the pace and scope that was anticipated.

The reapplication of pressure in 2017 produced an outpouring of frustration. We saw economically-driven protests in late 2017 and into 2018, and then once again, a very violent spasm in late 2019 when the government of Iran raised gasoline prices. And so, economic issues are very much at the forefront of the frustrations that Iranians feel with their government.

But I would reinforce that it's not purely a transactional issue for Iranians. I think there is this overall sense that this is a government that doesn't serve the interests of the Iranian people, whether that's on issues of political freedoms or social mores and freedoms, or economic opportunities. Young Iranians are incredibly well-educated. They're connected to the world, if only through virtual private networks and other means of evading some of the restrictions on connectivity and travel that are applied to them. And they understand the opportunities they're being deprived of as a result of some of the destabilizing policies of their government.

And so, I think what we've seen in the protests of the past few weeks are really an amalgam of the political frustrations, the social frustrations, but also the economic disappointments that so many Iranians face.

DOLLAR: Thank you, Suzanne. That's really helpful. I think because we are so cut off from each other, the U.S. and Iran, I think probably a lot of our listeners in the U.S. are not aware of what a large and modern economy Iran had and the potential that it has economically. Let's talk a little bit about scenarios going forward. I think whenever we see large demonstrations, it's kind of natural to think about the Arab Spring or color revolutions. It's probably easy to be a little bit unrealistic. So, what do you see as plausible scenarios going forward? Is there

potential for political reform? Nobody can predict the future but help us think about what might or might not happen.

MALONEY: Well, I think one of the challenges of this current episode is that Iran has tried other means of mollifying a population that is straining at the constraints of the government and frustrated and disappointed with the opportunities that it has. And so, for about 20 years of the 43 year post-revolutionary period, there has been an experiment with trying to reform the regime from within. This began in 1997 with the election of an explicitly reformist president who sought to use the constitution that was developed after the Islamic Republic, which did preserve some political rights to essentially strengthen those elements of the system and weaken the unelected elements of the system, the institutions that were still in the hands of the religious leadership.

Unfortunately, at every at every turn, the reformists were blunted in their attempt to expand the democratic aspect of the post-revolutionary system. And what we've seen is the structure of power is simply stacked against them. The levers of control are held by the unelected authorities, and obviously they remain committed to preserving their own authoritarian control. And so, there has been a lot of experimentation with different strategies to try to reform the system from within. I think it's quite clear at this stage through multiple different approaches that that simply isn't possible given the way that the Islamic Republic is structured and the commitment of its senior leadership, both on the religious side and, of course, on the military side, to trying to maintain their power.

But, of course, popular protest from the street hasn't yet succeeded. We know that for sure. There were a million people who came out in the days after the contested reelection of Mahmoud Ahmadinejad in 2009. And yet the leadership at that time was able to both repress and subvert the cry for some change from within.

And there's just there's a certain degree of realism that is necessary when we look at what the options for change are. These current protests do not appear to have any organized strategy or leadership. There isn't the kind of political manifesto other than “women, life, and freedom,” and some of the other slogans that we've been hearing from the street. There doesn't appear to be a path forward for changing the system, and there also doesn't appear to be significant defections from the military establishment or the security forces that would suggest that there might not be a will to repress.

Stacked against all of that, though, I remain convinced that what we're seeing is the beginning of a process that will bring us to the end of the Islamic Republic and the religious government in Iran, because I think what we're seeing in this current round of protests is fundamentally different than what we've seen in some of the short term outbursts of unrest that have captivated the international community briefly, but then been quickly repressed. Some of that is a combination of the sense that there is both a multiclass and multiethnic dimension to these current protests that we've seen from both wealthy neighborhoods and from more traditional and less well-off neighborhoods. A similar anger and frustration that we've seen these protests taking place all around the country, that they have been sustained for at least a dozen nights and days, and that the regime hasn't been able to find a way to quash the anger effectively, even with significant backlash, and even with trying to shut down the internet to prevent coordination among activists.

And fundamentally, one of the challenges here is just that the protests, where this began was with women removing their headscarves and protesting the imposition of the morality police and the Islamic dress code that the regime has relied upon. So, it's really at the heart of the nature of the system. And so, it's hard to imagine that there's going to be an effective compromise that is going to enable Iran to continue to retain a system that's based on this very specific ideology and yet avoid the regularity of women trying to defy the imposition of this dress code.

And so, the simplicity and the relative ease of protest, women now coming to the streets without wearing a headscarf, the extent to which we've seen at an elite level, whether it's athletes or movie stars and others from Iranian society coming out in support for these protests, the possibility it's still, I think, untested that there may be general strikes. There have been some teachers unions and others that have already announced strikes. We've seen some closures of shops, which, of course, were some of the aspects of protests that helped fuel the 1979 revolution in its earliest phases. And that there has been a very important cyber dimension to this, that there have been cyber-attacks that have brought down many of the regime's media outlets, as well as possibly the central bank as well.

So, I think what we're seeing is a is a very complex movement. It still does not have a shape that I think leads us to the natural conclusion of where this may go. But I don't think it's going to be readily quashed. And I think that we are going to see this continue to escalate and continue to cause real difficulties for the continuation of the Islamic Republic in Iran.

DOLLAR: Suzanne, you mentioned in passing the deal that was made under the Obama administration to constrain Iran's nuclear ambitions and in return ease somewhat on the Western sanctions, a deal known as JCPOA, which President Trump then withdrew the United States from that deal and ramped up the harsh sanctions. So, recently, there's been some talk of the Biden administration perhaps not necessarily reviving JCPOA, but coming up with a similar kind of arrangement of easing some of the sanctions in return for measures to constrain the nuclear ambitions. So, what do you see as the prospects for that kind of deal? Obviously, with the Ukraine war going on and with what's happened with energy markets, the world would benefit by having a little bit more Iranian oil and gas on the market, presuming that fits into other types of policies. So, what do you see as the prospect for some kind of revived deal?

MALONEY: Well, we've been in a process of trying to revive a nuclear agreement with Iran since the very earliest days that the Biden administration came into office. And fundamentally, the logjam remains on the Iranian side. There is a deal that is largely drafted. There is a clear path forward on reinstating some of the restrictions on Iran's nuclear activities in exchange for the United States relinquishing some of the economic pressure on Iran, particularly the sanctions, but also the financial measures which have effectively kept much of Iran's oil revenues over the course of the past several years held up in banks that Iran simply can't access outside the country. So, there's a clear rationale from the Iranian point of view.

And that rationale has become more compelling since February, since the Russian invasion of Ukraine, with the significant escalation in oil prices. I think the Iranians recognize that they have missed out on a huge bonanza over the course of the past six months. And so, there is some agitation and eagerness within Iran to get back to the deal. But there is also just a political hang up. The Iranians are looking for more concessions from the West. I think that

they came very close apparently in August. There was an expectation that a deal was imminent to be announced. And the Iranians seem to be demanding more from the international community in terms of essentially absolving them of some of the past accusations of nuclear development with the United Nations that are still being considered.

So, they were looking to get these past nuclear allegations, these open files with the International Atomic Energy Agency, fully cleared, in part, I think, because they are concerned that any more evidence of the extent to which they were engaged in a very dangerous nuclear program, even in the in the period before the deal was inked in 2015, could be used as a rationale to walk away from a new deal. There is a strong sense of distrust, understandably, from the Iranian leadership about the durability of any agreement with the international community. And so they're looking essentially to make it as unbreakable as possible.

The challenge here, I think, is that there was an expectation that as the various energy cutoffs from Russia might make it a very tough winter in Europe, that I think the Iranians thought they might have some additional leverage if they waited a little bit longer. They weren't, of course, calculating on this kind of upheaval, which I think in many ways weakens their hand at the negotiating table. My sense is if the Iranians come back and agree to the terms that have been on the table for some time, that in fact, we could get a nuclear deal.

My own expectation, though, is that even without the internal unrest within Iran, the deal itself is subject to a lot of vulnerability and is unlikely to last for the full eight years that were still left on the original 2015 deal. We are going to be faced with a nuclear crisis deal or no deal with respect to Iran and the clearest and most stable way to see an end to the concerns about the access of some of the world's worst leaders to the world's worst weapons would be a change in the government of Iran. That's not going to happen on the timeline that we need. But I think the hope of getting a deal and putting this issue behind us and being able to pivot away fully from the Middle East is also an illusory one.

DOLLAR: I take it from what you just said that you think the demonstrations and social unrest make it slightly more attractive for the Iranian regime to have a deal. But my follow up question is, does it make it more difficult for a U.S. administration, for the Biden administration? How would it look if we suddenly announced that we had some kind of deal with Iran while these demonstrations are re4cent, either ongoing or fresh in people's minds?

MALONEY: I'll be frank. I mean, I think that the administration's priority is to find some way to put the nuclear issue on the back burner as quickly and as definitively as they possibly can. And so if a deal came to them fully baked or if the Iranians fully signed on to the deal that has already been negotiated, I think that they would be happy to take it. And the precedent there is, of course, 2009 when, as I said, a million people came to the streets to protest a rigged election. And within weeks, the Obama administration was working with the Iranians, with the International Atomic Energy Agency, to try to develop an interim confidence building measure that would push the Iranians back further from their nuclear activities. That arrangement fell apart very quickly. But it wasn't because of distaste over the morality of doing business with a regime that was repressing its own people.

I think for both sides it's going to cut both ways. And it will depend very much on how long this current phase of unrest lasts and how quickly it recurs. Because my sense is that even if we see the regime able to put down these current protests and the situation quiet down, that

there will be a likelihood of recurrence and internal instability that will fundamentally complicate any real shift to benefit from a deal with a stronger economy. If we see strikes breaking out, if we see economic actions which have always been ongoing in Iran, but typically very small scale, if we see them morph into wider national efforts to try to slow the economy as a means of protest, then a deal won't really do much good.

DOLLAR: At the moment, China is Iran's main customer for energy, and also Iran is working with Russia to try to find ways around the sanctions that the U.S., the West, has imposed on both of them. So, can we think of this as an axis of authoritarians? Is this a new permanent feature of the geostrategic landscape, or are these more arrangements of convenience that might change quickly if there's a different situation in the world?

MALONEY: They're certainly opportunistic relationships, but they're opportunistic relationships with a key strategic dimension for both sides. And I think that, particularly as we watch how Iran, which has historically a very contentious relationship and distrustful relationship with Moscow, has embraced strategic cooperation in Syria and really built that to another level, to the point at which we see the Iranians now providing the Russians with UAVs for use against Ukrainian targets, one of the few countries in the world that is defying international public opinion and a variety of international laws to try to help the Russians with their offensive efforts through military materiel.

However long this may last, I think there is a perception from Tehran that opportunity lies in the East, that the United States is a fading power. That's been a conviction since the earliest days of the revolution. And even when it is clearly refuted by the rallying of the West on behalf of Ukraine, I think the pure economics of it and the sense that these are both powers that Iran can work with and benefit from without necessarily experiencing some of the interventions and political and social expectations that come with relationships with the West.

Obviously, the Iranians would prefer to have their cake and eat it, too. They want to be able to sell oil to China, but also be able to repatriate their oil revenues from banks in South Korea, Japan, and from Europe as well. So, their goal, I think, and their objective here is to maximize their flexibility, to build enduring relationships with strategic partners, but not to pin their hopes on any great power, because Iranian history provides many reminders of the dangers of that.

DOLLAR: I like to end on a positive note. So, my last question is, can you imagine a scenario in which the U.S. and Iran have much better relations all around? What would it take to get us to really good relationship?

MALONEY: Look, in theory, I can absolutely imagine a day in which the United States and Iran have an entirely different and much more positive relationship. There is a sense that there is a lot of opportunity between the two people at a popular level. Iran just feels more familiar if you're an American than some of the other big cities in the Middle East or certainly than some of the Arab sheikhdoms in the Persian Gulf. And Iranians in many respects have built a modern economy. They've engaged in this intense, decades-long debate among themselves about democracy, about the role of religion in society. They have built an incredible education system. They have the trappings of a representative governing system and a robust media, even if all these institutions have to operate within the constraints of a theocratic power structure.

So, I think when there's a transition, Iranians will be very well prepared to move to a stable democracy. And I think a stable democracy would find real value in a relationship with the United States. And the United States very much in the same way. I think the challenge is how and when you get there. And it really does require not just a change in the players from the Iranian side, but truly a change in the nature of the system. And we have no capacity to affect that from Washington or from anywhere outside Iran.

And really, we will almost inevitably be surprised when it does happen, because all of the great political changes within Iran, from the revolution to the twists and turns of the past 43 years, have typically come without strong anticipation here in Washington. So, I think we'll get there. I can't predict when and how it will happen.

DOLLAR: Thank you, Suzanne. I think it often seems that these political situations are permanent and can be sustained for a long time. Obviously, they can be sustained for a long time, but then they can change very suddenly. And as you suggest, we don't have much ability to affect or even predict when these occur.

I'm David Dollar and I've been talking to my colleague Suzanne Maloney. We started with shout out to the brave people in Iran who have been demonstrating, especially the women, and then talked about the difficult politics and diplomacy—they essentially interfere with progress in that country, which has great potential. And we ended on a positive note. So, thank you for sharing your expertise, Suzanne.

MALONEY: Thanks so much to you, David, and the whole team here at Dollar and Sense.

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DOLLAR: Thank you all for listening. We release new episodes of Dollar and Sense every other week. So, if you haven’t already, follow us wherever you get your podcasts and stay tuned.

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Until next time, I’m David Dollar and this has been Dollar and Sense.