

Post-Nuclear Deal Iran: Back to the Fold of Imperialism?

MOHAMMED NURUZZAMAN*

ABSTRACT *Khomeini, the leader of the 1979 Islamic Revolution, sought to chart out an independent course for Iran in regional and global affairs: ‘neither East, nor West, the Islamic Republic.’ Khomeini’s successors have often attempted to compromise with the West by undertaking economic reforms aimed at reintegrating Iran into the imperialistic capitalist world economy. The Joint Comprehensive Plan of Action, signed in mid-July 2015, brings Iran new opportunities but it also greatly compromises the ideological, philosophical and economic foundations of Khomeini’s Islamic Republic. After four decades of anti-imperialist struggle, Iran has now largely come back to the fold of imperialism.*

On 14 July 2015, Iran and the P5+1 states signed a historic nuclear deal, dubbed the Joint Comprehensive Plan of Action (JCPOA), to finally end the thirteen-year nuclear standoff between Tehran and Washington. Iranian President Hassan Rouhani branded the JCPOA, “the victory of the people of Iran on the political arena.”¹ Supreme Leader Ali Khamenei also viewed the deal as a significant step towards bolstering Iran’s rights, dignity and independence. Under the terms and conditions of the JCPOA, Iran has agreed to greatly scale back its nuclear program, though not to abrogate its nuclear rights, in exchange for sanctions relief. So, from

the Iranian perspective, the deal fits the basic rationale of the 1979 Islamic Revolution that saved Iran from subjugation by the U.S. and restored its full independence in a West-dominated international order. Critics, however, contend that Khamenei was under extreme pressure to get rid of the financial sanctions that had been imposed on Iran, particularly during the tenure of former hardline President Mahmoud Ahmadinejad, and that the deal falls short of being a victory for Iran.

Two important interpretations arise out of Iran’s willingness to sign and implement the JCPOA: firstly, the U.S.-led sanctions regime was chok-

* Gulf University
for Science and
Technology,
Kuwait

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ing Iran economically so much that the top leadership had to find a way out; and secondly, the lifting of sanctions has facilitated Iran's reintegration into the capitalist global economy, which the late Ayatollah Khomeini castigated as the West's imperialistic blueprint to exploit and dominate oppressed people worldwide, especially in the Muslim world. Khomeini propagated the catchphrase 'neither East, nor West, the Islamic Republic' to initiate a new political course and development model to reduce Iran's structural dependence on the imperialist West. The reality was different, however. Post-revolution Iran, like the now defunct socialist bloc led by the Soviet Union, had to operate within the parameters of the imperialistic capitalist global economy. The current nuclear deal with the P5+1 states may further increase Iran's structural dependence on the imperialist West by accelerating Iranian reintegration into the West-controlled global economy and thus compromising the economic, ideological and philosophical foundations of Khomeini's Islamic Republic. Iran's re-enmeshment with imperialist capitalist relations, facilitated by the JCPOA, pushes Iran deep into imperialism, although it

also brings new opportunities for the Iranians to bolster their economic position and political assertiveness, and to enhance their strategic weight in the Middle East. Said differently, Iran, after nearly four decades of revolutionary tempest, is slowly coming back to the fold of imperialism (or neo-imperialism in the modern context). This commentary, in the pages below, pursues and develops this basic contention.

Khomeini and the Goals of the Islamic Revolution

Khomeini galvanized mass support for the 1979 Islamic Revolution by capitalizing on two critical factors: 1) America's domination over Iran under the Pahlavi dynasty, what he branded American imperialism; and 2) the promise of an Islamic utopia, exclusively defined in Islamic religious terms. He viewed Iran-U.S. relations under the last Pahlavi ruler, Mohammad Reza Shah Pahlavi (1941-1979), as Iran's subjugation to American domination and, in turn, projected his revolutionary agenda as a battle of the oppressed against the oppressors. The U.S., as Khomeini saw it, was the number one oppressor of the peoples of the Third World, including the Iranians. Anti-Americanism, in short, became the central pillar of Khomeini's revolutionary activities throughout the decades of the 1960s and 1970s as well as in the post-revolution period.

To free the oppressed Iranians from America's imperialistic clutches,



EU and Iranian Delegates are pictured during the first meeting of the Joint Commission at the level of Political Directors on October 19, 2015 at Palais Cobourg in Vienna.

AFP PHOTO / DIETER NAGL

Khomeini crafted the strategy of the Iranian Revolution not in Marxist or liberal terms but in Islamic religious dictates. While the French, Russian or Chinese revolutions were largely propelled by the European Enlightenment ideas of liberty, equality and fraternity or the secular spirit of liberation from oppressive political and economic systems, the Islamic Revolution in Iran, some analysts say, developed around Shia ideas of enduring sufferings, martyrdom, and opposition to Pahlavi dynastic rule based on issues of Iran's Islamic norms, values and identity. Khomeini called for "independence, freedom and the Islamic Republic" to install a clergy-led government and reinitiate an independent course for Iran in domestic and global affairs. As he understood and explained it, the concept of independence embodied two significant elements –(1) rejection of

the ideological supremacy of both the East and the West, and a simultaneous prioritization of Islamic ideological precepts to guide domestic governance and external relations; and, (2) the elimination of Western imperialistic influence, especially American dominance, from Iran and the Muslim world at large.

Khomeini quite realized that post-revolution Iran's independence and freedom from American dominance was conditional on achieving economic independence. Economic self-reliance was a *sine qua non* to get Iran out of the vortex of global imperialism. The economic ideas he offered to guide Iran's development, what one analyst² has called a non-capitalist, non-communist "third way," found apt expression in his philosophy of "neither East, nor West, the Islamic Republic." This philosophy

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rejected socialism's highly materialistic conception of history and the subjugation of human agency to the social system; equally repugnant was it to liberalism's exclusive emphasis on reasoning as the only means to attain knowledge. "The Islamic Republic" stood firm to emphasize the importance of heavenly revelations to guide human societies and to ensure a "third way" of development based on redistributive justice and social harmony, built on Islamic values and beliefs. In clearer terms, "the Islamic Republic" or the "third way" was meant to initiate an Islamic model of development, or "Islamic economics."

Defined in simple terms, Islamic economics seeks a redistribution of wealth and resources to ensure social justice and unity between social classes, which Khomeini frequently emphasized to secure the survival of the revolution in Iran. The ultimate goal was to develop an egalitarian society that would repudiate the unethical

profit-seeking motives of individuals and move towards a frugal Islamic consumption model, and where Islamic moral and ethical standards would balance human economic motives and needs. The Islamic Republic, as Khomeini had envisioned it, would be free of all social and economic ills – hunger, want, inequality, unemployment, crimes, drugs, slums, and so on. It would recognize ownership of private property but with limitations, there would be an end of exploitation of the poor by capital, grossly unequal distribution of wealth and incomes would end with a check on excessive accumulations of wealth by individual Iranians, and profit-seeking by middlemen and interests were to be eliminated, while the march towards economic progress and modernization would bring benefits for the common Iranians. All such ideas were incorporated in Iran's post-revolution constitution, ratified in November 1979.

Khomeini himself stepped up the rhetoric to win public support for his economic program. He strongly upheld the right to private property under limitations, and divided the Iranian society into two antagonistic classes of *mostazafin* (the oppressed) and the *mostakberin* (the oppressors who were closely aligned with Western imperialists), in order to pursue his new economic program. His political speeches and proclamations pertaining to the economic agenda soon spawned a sort of Third World populism,³ mostly found in Latin America, that has historically sought to mobilize the lower social classes and the urban poor to oppose for-

eign domination and exploitation by promising some sort of a utopia to end such domination through national reconstruction and drastic changes in living standards. The way Khomeini introduced and manipulated class antagonisms in Iran, by banking on populist appeals, yielded two significant results: (1) it helped to rally the Iranian masses behind him to oppose imperialism and its local lackeys; and (2) it marshalled support for his commitment to protect private ownership rights while remaining firm in the cause of the poor and the dispossessed.

Astonishingly though, Khomeini said very little about how to counter or escape imperialistic global economic domination. Should Iran isolate itself from the capitalist global economy and form an anti-imperialism bloc to reduce dependence on the West? He offered no clearly defined way forward. In fact, the lack of a well-defined strategy, primarily due to internal political dissensions, undercut Khomeini's Islamic economics model, and Iran's widely anticipated independent course in domestic policies and external relations largely faltered. The post-revolution government had condemned the Shah's regime for its 'consumerist' economic strategy which, according to the Islamic revolutionaries, had resulted in Iran's dependence on foreign investment, trade and technology. The massive influx of oil revenues in the early 1970s, they complained, was misused by the Shah to pay for consumer goods imports and purchases of unnecessary military hardware, while agricultural

self-sufficiency and non-oil industrial development were neglected. To reduce dependence on foreign trade and initiate supportive changes in the domestic economy, the Islamic government introduced the first nationalization of foreign trade bill to the *Majles* (Iranian Parliament) in May 1981. The bill sought to transform Iran's consumerist culture into an Islamic culture of frugality and to regulate import-export trade under state supervision to promote economic self-sufficiency. The Islamic leftists-dominated *Majles* passed the bill, but the highly conservative Council of Guardians, which oversees and makes sure that all laws conform to the Islamic *Sharia*, rejected it on the ground that the bill violated Islamic law by denying individuals the right to engage in lawful trade. A second version of the bill that passed the *Majles* in 1984 was also struck down by the Council of Guardians.

The government, however, increased its role in the economy dramatically in the first decade of the revolution through management of confiscated properties from the Shah's supporters, putting heavy industries under state control by creating parastatal organizations called *bonyads*, and establishing regulatory control over the allocation of credits and foreign exchange. The *bonyads* were used as national vehicles for the employment of mass Iranians and they received priority considerations in terms of credit allocations and access to foreign reserves. Questions of the profitability and sustainability of the *bonyads* were mostly overlooked, since they were fulfilling

Iran's Supreme Leader Ayatollah +Ali Khamenei on June 3, 2016 delivering his speech during the 27th anniversary of the death of the founder of the Islamic Republic Ayatollah Ruhollah Khomeini at his mausoleum in a suburb of Tehran. KHAMENEI.IR / AFP



the revolutionary goals of providing common Iranians with access to employment and income to improve their living standards and thus uphold the spirit of the revolution.

Revolutionary Goals Meet the Realities

Iran's track record in the economic sector in the first decade after the revolution (1979-1989), and even thereafter, was bleak. Neither did the Islamic government succeed in creating an "Islamic economics" model, nor was there any dramatic break from the Shah's economic policies. Attempts to replace the Western materialistic consumerist model with a frugal Islamic consumption model yielded no discernible result. Instead, the economy showed tendencies worse than had been seen in the Shah period. There

were reports of rent-seeking activities, profit-making through hoarding, and speculation and money-lending through exorbitant rates. Efforts to achieve economic self-reliance drifted to the wayside, agricultural self-sufficiency remained a difficult goal to achieve, and budgetary dependence on oil revenues hardly decreased. Gross domestic product fell at an average rate of 4.25 percent, real output and productivity declined at annual average rates of 1.8 and 6.6 percent respectively, and national productivity, as a whole, fell below the level the Shah had achieved in the 1960s and 1970s.⁴ The Shah's oil revenues-dependent modernization program had vastly expanded Iran's industrial and manufacturing base, placing the country in the "semi-periphery" of the capitalist global economy, while under the successive post-1979 Islamic governments Iran descended from

a semi-peripheral into a peripheral status in the global economy.

The post-1989 Iranian economy, as a whole, was dictated by new imperatives, characterized by an urge to remold it and seek reintegration into the capitalist global economy. President Hashemi Rafsanjani (1989-1997), soon after his election in August 1989, undertook reform programs to inject dynamism into the economy. His government, to encourage foreign direct investment and gain access to foreign technologies, initiated measures to develop infrastructure, privatize state enterprises, end consumer subsidies, unify foreign exchange rates and eliminate price control mechanisms. This was a dramatic break from Khomeini's idea of independence and it soon provoked resistance from Islamic conservatives as well as left-leaning Islamists, who subsequently came to be known as the reformists. The Islamic conservatives charged that Rafsanjani's policies of economic re-orientation were contradictory to the original philosophy of the Islamic Republic's attachment to 'neither East nor West.' The left-leaning Islamists, led by Iran's former Prime Minister and a leading figure of the 2009 green movements Mir Hossein Musavi, branded Rafsanjani's opening to the free market economy as a betrayal of the spirit of revolution. Supreme Leader Ali Khamenei saw the liberalization program as a westernization of the regime and a return of Western culture and attitudes to Iran. The reforms, in the face of stiff opposition, largely halted and the Rafsanjani government made little progress in initi-

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ating sustained economic growth to facilitate Iran's reintegration into the global economy.

Under reformist President Mohammad Khatami (1997-2005) Iran pursued a more conciliatory foreign policy and pressed ahead with the liberalization program of the Rafsanjani administration. The Islamic leftists were still uncomfortable with the idea of a free market economy and they argued for rule of law and détente with the regional countries for Iran's growth and development. Other critical factors obstructing Khatami's free market initiatives were a slump in oil prices and the onset of a global recession in the late 1990s. Reforms slowed down, though the government largely boosted the private sector by issuing permits to operate private banks and other economic activities, a deviation from the Islamic ideal of preventing profit-seeking motives and the piling up of personal wealth. An unintended consequence of the liberalization program, despite poverty alleviation and a general decline in child mortality rate, along with significant improvements in education and human

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capital development after the revolution, was the widening income gaps between rural and urban Iranians, a trend President Mahmoud Ahmadinejad exploited to win the 2005 presidential election and develop his brand of populist politics.

President Ahmadinejad (2005-2013) promised, and also executed policies, to distribute oil dollars to the entire population. The global hikes in oil prices starting from 2009 and lasting up to mid-2014, with occasional downturns, helped him carry out his policy of distributive justice, one of the original ideals of the revolution; but confrontational policies towards the West and a persistent unwillingness to give up the nuclear program invited more and more sanctions. Iran had been suffering from Western sanctions since the revolution, but the U.S.- and EU-engineered sanctions of January 1, 2012 proved very severe and damaging. They completely cut off Iran from the global financial transactions system, substantially halted oil exports and shipping and largely isolated Iran from the capital-

ist global economy. Foreign investors and business corporations operating in Iran packed up and withdrew from the economy. The Iranian economy suffered so much that ordinary Iranians could find no decent jobs and were unable to afford staple foods. President Ahmadinejad was also accused of poor economic management and malpractices, such as awarding lucrative development projects to his trusted circles, misplaced trade policies, corruptions etc., all of which undermined investors' confidence; a decline in domestic industries ensued. Overall, gross domestic product (GDP) shrank by 6.6 percent in 2012 and 1.6 percent in 2013; since January 2012 the sanctions have cost Iran \$160 billion in oil revenues; the value of Iranian currency, the *Rial*, declined by 56 percent in two years (from January 2012 to January 2014); inflation shot up to 40 percent between 2011 and 2013; and automobile production declined by nearly 40 percent in the same period.⁵ The incumbent President Hassan Rouhani won the 2013 presidential election on the promise to peacefully resolve the nuclear dispute with the U.S. and revamp Iran's largely paralyzed economy.

After the JCPOA

The Rouhani government's economic policy has aimed to overcome two critical obstacles to Iran's development: firstly, economic mismanagement and the Iranians' loss of confidence in government institutions caused by the previous Ahmadinejad government; and secondly, the down-



U.S. Secretary of State John Kerry meets with Iranian counterpart Mohammad Javad Zarif on April 22, 2016 in New York.

AFP PHOTO / BRYAN R. SMITH

ward trends in Iran's economy set in motion by sanctions and nuclear-related tensions with the West. The removal of sanctions, as the BBC reported, would bring huge benefits for Iran within a year: the repatriation of foreign reserves amounting to \$30 to \$50 billion USD currently frozen in foreign banks, an increase in oil revenues by \$10 billion, a boost in GDP growth to around five percent and a decrease in trading costs, caused by trade restrictions imposed by the U.S. and the EU, by \$15 billion annually. These changes would not be possible without the JCPOA in place. Indeed, the economic dividends the JCPOA brings for Iran are significant: Iran's readmission into the global financial transactions system, the restoration of oil production and business with the outside world, the restoration of

Iranian banking operations outside Iran, the conclusion of business deals and investment agreements with European and Asian economic powers, among others. These areas, needless to say, are either tightly controlled or substantially influenced by the imperialistic capitalist world economy operating under American supervision. And Iran's re-enmeshments with the capitalist world economy, mostly pressured by the 2012 sanctions regime, take it much closer to submission to the dictates of American imperialism.

Iran's signing of the JCPOA was preceded by an outburst of conflicts between the conservative hardliners led by some influential members of the *Majles* and the Assembly of Experts, and reformist political forces grouped around President Rouhani. The Rouhani government had the blessings of Supreme Leader Ali Khamenei, who tacitly approved nuclear negotiations with the U.S. and allowed President Rouhani, despite the anti-West vitriol spewed by the hardliners, to successfully clinch the deal. Khamenei acted out of self-interest and made a calculated tactic to dismantle the sanctions regime. His pragmatic approach to the nuclear dispute bears great similarities to Ayatollah Khomeini's realistic thinking on foreign policy issues, despite the latter's inflammatory anti-imperialism speeches and writings. In the latter years of the Iraq-Iran War (1980-1988), Khomeini approved arms purchases from Iran's archenemy –the U.S.– through Israeli mediation, solely for defense purposes. He initially declined to terminate the war with Iraq but finally accepted

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peace, though it was for him “drinking the poisoned chalice.” In a series of letters addressed to then President Ali Khamenei, Khomeini advised him to abrogate any Islamic principles to ensure the survival of the Islamic Republic and to defend the revolution. In other words, sticking to dogmatic ideological precepts should be abandoned in favor of pragmatic and realistic policies to promote the interests of the Islamic Republic. Khamenei’s approval of the nuclear deal strikes a chord with Khomeini’s pragmatic ideas and thinking.

Interestingly, what President Rouhani attempted to achieve through the JCPOA in 2015, was akin to what former President Rafsanjani had sought to realize back in the early 1990s – Iran’s reintegration into the capitalist global economy through reforms. Rafsanjani’s liberalization program was blocked by the Islamic conservatives, with Khamenei rejecting it eventually. The Bill Clinton administration also did a great disfavor to Rafsanjani’s reform initiatives by imposing a fresh round of sanctions prohibiting all U.S. participation in Iran’s petroleum

industry in March 1995; a total trade and investment embargo was also imposed two months later. So, what made the compromise with American imperialism possible this time?

Harsh economic realities produced by the intrusive sanctions regime no doubt played a critical role behind Iran’s decision to negotiate with the U.S., but it was not the only factor that made the nuclear deal possible. Grafted onto the sanctions issue were a series of political and strategic factors taking place in the Middle East in the last few years. The Arab popular movements for democracy and the proclamation of the “Islamic State,” also known as ISIS, in June 2014 presented Iran with new strategic challenges and vulnerabilities. The outbreak of anti-government protest movements in Syria, Iran’s only Arab ally, and the subsequent civil war, put Iran in an awkward strategic position. The survival of the so-called “axis of resistance,” consisting of Iran, Syria and Hezbollah, was at stake, since the fall of Bashar al-Assad’s government would cut off Iran’s link to the Lebanese resistance group and weaken its regional strategic clout. Specifically, the so-called Islamic State’s looming threats to Shias in Iraq and across the region added a new strategic urgency to Iran’s predicament, a development that also convinced Iran to minimize differences on the nuclear front and create a collective platform to fight the Islamic State. The U.S., after fighting two long and devastating wars in Afghanistan and Iraq, and faced with a new menacing enemy, also realized that Iran’s support was critical to re-

solving regional issues and managing peace. The Obama administration preferred to make Iran a partner in the fight against terror, by encouraging more openness in Iran and helping the moderates to gain the political upper hand.

Conclusion

To sum up, Iran under Khomeini (1979-1989) differs greatly from Iran under his successors. As a revolutionary leader and firebrand cleric, Khomeini attempted to exploit the revolutionary spirit and nationalistic feelings of the Iranians to Islamize Iranian society and culture and thus chart out an independent course for Iran in world affairs. Under his leadership, Iran embarked on a course to achieve economic independence through an "Islamic economics" model, the so-called "third way," to prop up Iran's political independence. Despite being relatively free of external constraints other than the war with Iraq, little progress was achieved to institutionalize the "third way" of development to successfully throw off the yoke of imperialism, which lends credence to Timur Kuran's provocative thesis that "Islamic economics," premised on Islamic moral teachings, was incongruent with social reality and largely irrelevant.⁶ Although many Islamist groups have used the slogan of Islamic economics as a vehicle to resist Western cultural globalization in the name of preserving their distinct Islamic identity, it has had no appreciable impact on Muslim economic efficiency, growth or poverty reduction.

Post-Khomeini Iranian leaders, particularly Presidents Rafsanjani and Khatami, introduced pro-market reforms to streamline the economy and operate within the framework of the capitalist global economy but largely failed due to internal opposition. A sense of pragmatism to compromise with the imperialistic capitalist West was there but revolutionary zeal obstructed that for a while. The Ahmadinejad presidency rode a virulent rhetorical course on the nuclear issue, but only to the detriment of the economy. The Rouhani administration, tacitly backed by Khamenei, has dragged Iran out of the whirlwind by making compromises with the West and regaining access to the imperialistic global economy. Khomeini's revolutionary idea of resistance to the West is now fading away gradually, from Iran's ideological, philosophical and economic terrains. ■

Endnotes

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