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Is the price of watermelons relevant to Iran's nuclear crisis?

Experts weigh in on interplay between Iran's wobbly economy and the possibility of settling the nuclear weapons crisis with the mullah regime.

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The founder of the Islamic Republic of Iran, Ayatollah Ruhollah Khomeini, famously said the 1979 Islamic Revolution was “not about the price of watermelons.”

To parse the contemporary relevance of Khomeini's self-described noneconomic revolution, The Jerusalem Post asked leading Iran experts in Israel how they view the interplay between Iran's wobbly economy and the possibility of settling the nuclear weapons crisis with the mullah regime.

A powerful EU-US sanctions architecture has influenced a change in Iran's notorious recalcitrant behavior. Put simply, economic sanctions forced Iran's fiery revolutionary Supreme Leader Ali Khamenei to negotiate with the world powers (France, UK, US, Russia, China and Germany) over his illicit nuclear program.

Prof. David Menashri, a prominent scholar who directed Tel Aviv University's Iranian studies program, said the “main problem is not [Tehran's] negotiations with the West. It is the disenchantment of young people and in addressing their main concerns – economics, freedom, food.”

Menashri sees growing discontent among young Iranians, particularly women who make up 60 percent of university students, in contrast to 70 years ago when women were nonexistent in the academy. Employment opportunities for educated young Iranians are scarce, he added.

Iranian President Hassan Rouhani, said Menashri, “sold slogans” based on hope to Iran's university-age students. Now, they are asking, “Where is the beef?” He continued that “a generation open to the world” is asking itself why, with historical achievements and an oil-rich economy, its place in the world is stunted.

He further pointed to Green Movement protesters in 2009 who expressed deep disappointment with Iran's expenditure of public money to aid Hezbollah and Hamas.

“Neither Hamas nor Hezbollah! I give my life for Iran!” and “Forget about Palestine! Think

about our Iran!” were some of the slogans voiced as part of the Green Movement, which contested the fraudulent reelection of president Mahmoud Ahmadinejad.

In contrast to the position of the Netanyahu administration, Menashri said, “I am not happy that there is no agreement.

Iran will continue with their nuclear program. The West has to be careful with easing sanctions, because it is very difficult to reimpose. If I were an Iranian leader, I would be concerned.”

The EU-US sanctions – mainly in the financial and energy sectors – delivered a series of body blows to Iran’s economy.

The US-based Cato institute said in a recent report that “Iran’s real gross domestic product has contracted by a cumulative 8.6% during the past two fiscal years.”

It reported “forgone annual economic output to be a whopping \$79 billion.”

All of this helps to explain why Iran earned the No. 4 spot on the institute’s World Misery Index Scores. In a series of business articles in late October, reports about labor unrest surfaced, including work stoppages affecting the coal industry in central Iran and the Assaluyeh natural gas enterprise. Medical personnel protested in front of Iran’s parliament demanding that Iran’s regime remedy the low-wage crisis.

Meir Javedanfar, who teaches contemporary Iranian politics at the Interdisciplinary Center Herzliya, said that “Iran’s economy is weak,” but there “is a lot of information about Iran’s economy that we do not know.”

Since the third extension of the Iran nuclear talks on November 24, Tehran’s stock exchange dropped, said Javedanfar, adding that Iran badly needs investments in its oil sector.

The lack of transparency – and accurate economic data – makes it difficult to gauge the vulnerability of Iran’s economy.

“Nobody knows what the point of collapse is,” he said.

He said it would be a “catastrophic decision for Iran to miss the opportunity for a peaceful resolution,” because it is facing a severe drought that hammers away at its economic health.

He favors a continued diplomatic track without a new round of sanctions.

Javedanfar said the Russians and Iran’s security establishment could be the nuclear deal breakers. There is a “shared interest scenario,” where Russia seeks to punish the Americans because of the Ukraine crisis and help Tehran blunt sanctions pressure.

Russia would serve Iran’s security apparatus, following Javedanfar’s logic, “as a firewall to keep America away.”

Europe, particularly Germany, continues to make overtures to generate business for Iran. The pro-business group Berlin Business Talks plans on Thursday to host Iran's new ambassador to Germany, Ali Majedi, to discuss "the political and economic development of Iran."

The effects of such pro-business meetings with EU groups has created what, Mark Dubowitz, the executive director of the Foundation for Defense of Democracies, calls a "changing market psychology" that benefits Iran.

A new joint report by FDD and the Roubini Global Economics firm estimates a windfall for Iran's economy due to sanctions relief in the amount of \$11b.

Dubowitz, a leading expert on Iran sanctions, told Bloomberg News, "An economy that used to be on its back is now an economy on its knees and getting back up to its feet."

There is compelling evidence that Rouhani's regime – at least in the short term – is worried about the price of watermelons.

Supreme Leader Khamenei, however, whose decisions overrule Rouhani's feeble presidency, remains wedded to nuclear weapons. Iran's revolutionary ideology will likely trump sustainable, economic recovery.