

Chapter 2

Iran's Domestic Politics and Foreign Economic Relations After the Sixth Majles Elections

The February 2000 Majles (Parliament) elections in Iran constituted the first national-level popular contest after President Mohammad Khatami took office in August 1997. Two nationwide elections had been held—the Leadership Experts Assembly (*Majles-e Khobregan-e Rahbari*) elections in October 1998, and the first-ever Islamic City and Village Councils (*Shoura-ye Eslami-ye Shahr va Rusta*) elections in February 1999. However, the former suffered from heavy candidacy screening and limited popular participation, and the latter—although levels of participation were remarkable—elected representatives for local-level offices only. The Sixth Majles elections, therefore, were expected to become both the first serious popular test for President Khatami's administration and its reformist policies, and a significant boost if his faction won a majority.

This chapter analyzes developments in Iran's domestic politics during the nine-month period in the aftermath of the February 2000 Majles elections, with special attention paid to the internal dynamics within the so-called "reformist" camp. It also briefly reviews the effects of the reformist victory in the Majles elections on Iran's foreign economic relations. The analysis ends with some discussion on future prospects in Iran's domestic politics as well as foreign relations.

2.1 Domestic Politics after the Sixth Majles Elections

2.1.1 The Outcome of the Majles Elections

The first and second rounds of voting of the

Sixth Majles elections took place on February 18 and May 5, 2000, respectively (the second round of voting for the Tehran district was held separately on June 30). The results signified a major loss for the conservative incumbents and a stunning victory for the pro-Khatami "reformers." The elections for the post-Revolution Iranian Majles have been held at regular, four-year intervals since March 14, 1980. Due partly to the frequent ups and downs of many political personalities in post-Revolution Iran, the rate of turnover among the deputies elected at each Majles elections is generally high. However, the Sixth Majles elections in 2000 can be likened to the Fourth elections in 1992 in that both witnessed a crushing defeat of the majority faction in the previous Majles—the radical leftists in 1992 and the conservatives in 2000.

For the Sixth Majles elections, 6,860 persons registered as candidates (of whom 504 were women), and almost 90 percent of them—6,083 to be exact—survived the Guardian Council's candidacy screening process. Both numbers represented the largest ever after 1979. The rate of turnout for the first round of voting was about 69 percent, with 26.7 million votes being cast. The latter figure was a little less, as compared with the large turnout at the 1997 presidential elections in which more than 29 million votes were cast. This was partially a result of the change that the outgoing Majles effected in the elections law by raising the minimum voting age to 16, from 15, in an attempt to curb the number of the votes from the pro-reform youth segment. Yet it also signified a relative lack of enthusiasm about the contest among the electorate in general.

The results, however, made clear who has the majority support of the Iranian electorate. To get a clearer view, I here use for the analysis the initial results announced by the Interior Ministry. Among the 290 seats contested, only 65 went to the incumbents of the Fifth Majles, giving more than 220 seats to first-timers. By factional counts, the conservatives acquired only about 65 seats (or 22 percent of the total), while the so-called “reformers” gained about 165 (or about 60 percent). The remaining 55 seats were taken by the independents—that is, those who did not have any backing from a major political party in Tehran, although many of them ran as pro-Khatami and/or pro-reform candidates.

Viewed from a different angle, the results also demonstrated further progress of two pre-existing trends. The first was de-clericalization of the deputies. The Sixth Majles elected as few as 20 clerics, whilst there were 51 clerics among the Fifth. This was a far cry from the First Majles in which 137 clerics served among the 263 elected. Also in progress was the rejuvenation of Majles deputies. Of the 65 incumbents reelected, only 25 had served 3 or more terms before. The majority, or 40, served only one previous term. These two tendencies cut across factional lines. For example, of the 65 conservatives elected to the Sixth Majles, a minority or 24 were incumbents in the previous Majles. Of them, only 9 had served two or more terms before. The remaining 15 had only served once before. Of the 24, only 4 were clerics. Of them, 3 were in their 30's and served only once before.

These changes indicated that a majority of the Sixth Majles deputies are in their late 30's to early 50's, that is, those who reached their adulthood around or after the 1979 Revolution. Put differently, the overwhelming majority of Sixth Majles deputies are first-timers, non-clerics, and pro-reform representatives.

2.1.2 Struggle over the Election Results

By current interpretation of the existing

laws, the Guardian Council is to “supervise” the elections of which the Interior Ministry is charged with the execution. This means, in practical terms, that the Guardian Council has a final say over both the candidacy pre-screening and the determination of the election results, thereby having the ability to greatly influence the election processes. It is, however, a relatively new development—only existing since the 1992 elections as far as the Majles elections are concerned. In the 1980s, the election processes were, by and large, controlled by the Interior Ministry itself. The important point, however, is that in the decentralized political system of post-Revolution Iran, many official institutions have become a tool of factional fighting and politics. As a result, the radicals won a landslide in the 1988 Third Majles elections, which were held under the supervision of then Interior Minister Ali Akbar Mohtashami. For their turn, the conservatives and moderates won in the 1992 Fourth Majles elections, when the conservative Guardian Council intervened at the expense of the radicals. Therefore, the 2000 Sixth Majles elections were, in fact, the first contest in which the reformist Interior Ministry and conservative Guardian Council fought against each other at every step of the election processes.

After the first round of voting, it had become clear that the conservative camp suffered its largest defeat. The Guardian Council, then, went on to invalidate the election of 12 candidates in 10 different districts, rendering those seats vacant until a by-election to be held in 2001. It also found “irregularities” in the elections of the Khalkhal and Arak districts where a reformist had been announced the winner. The Guardian Council cancelled the respective candidates' victories, and gave the seats to their conservative opponents. Most importantly, however, the Council did not confirm the announced results of the 30-seat Tehran district. It forced repeated recounting for nearly three months until May 18 when Ayatollah Khamenei, the Leader, finally ordered that the recounting be stopped. Following the injunction,

the Council decided to invalidate about 720,000 votes (about 24 percent of the total) and announced the final result of the Tehran elections. There were significant discrepancies between the latter and the initial result announced by the Interior Ministry. The former Majles speaker and president, Ali Akbar Hashemi-Rafsanjani ranked twentieth in the new result, whereas he had been thirtieth in the previous one. Furthermore, a conservative, Haddad-Adel ranked twenty-eighth in the new list, whereas he was thirty-second in the previous one. An independent reformist candidate Alireza Rajaie was forced out of the winners' list as a result.

With this announcement, the Guardian Council once again became the target of harsh protest and criticism from among pro-reform political groups, newspapers and student organizations. In particular, the large increase in the number of votes assigned to Candidate Rafsanjani was seen with much suspicion after several newspapers printed rumors to the effect that behind-the-door manipulation during the recounts transferred votes from the tallies of Faeze Hashemi, his daughter, and some conservative candidates to the former president's. With these rumors and protests continuing, the prospect of Rafsanjani becoming speaker of the Majles again rapidly vanished. Five days later, Rafsanjani, in an unprecedented move, declared that he would not take a seat in the incoming Majles, thereby disassociating himself with the ongoing political fights over it.

2.1.3 The Composition of the Sixth Majles

The Sixth Majles was convened on May 27. Its first job was to elect the speaker and the other members of the Presiding Board of the now-called "Reform Majles" (*Majles-e Eslahat*). With Rafsanjani out of the scene, the contest for speakership was fought between those who wanted to elect a non-cleric who would better represent the actual composition of the new Majles and those who wanted

to keep the tradition of appointing a cleric to the top position. Pushing for the former option, the Islamic Iran Participation Front (IIPF)—the main pro-Khatami party—sought to get elected Mohsen Mirdamadi, one of its own founder members. However, the remaining political groups, including the leftist *Majma'e Rouhaniyun-e Mobarez* (MRM), the center-right Executives of Construction Party (ECP), and the conservative faction, opted for electing a clerical old-guard Mehdi Karrubi, the secretary-general of MRM. This split was notable because it was, in fact, the first of the many disagreements amongst the so-called "reformist" deputies that were to follow.

The contest ended in IIPF yielding the speakership to Karrubi with a tacit deal made with regard to the chairmanship of some of the committees. On June 11, in-house elections were held for the Presiding Board which selected Karrubi as speaker with 193 votes, and Behzad Nabavi and Mohammad Reza Khatami as deputy speakers with 155 and 135 votes, respectively. The two main pro-Khatami political groups, IIPF and the Islamic Revolution Mojahedin Organization (IRMO), succeeded in sending 6 of their own members onto the 12-man Board.

The outgoing Fifth Majles had decided to reduce the number of standing committees to 12 in the Sixth Majles. This merged two important committees, the Foreign Relations and the Defense, into one. Thus the chairmanship and composition of the newly-created National Security and Foreign Relations Committees became the next focal point. In this contest, the pro-Khatami IIPF and IRMO succeeded completely. First, while most of the former conservative members of these two committees lost their seats in the popular elections, the pro-Khatami deputies succeeded in forcing the remaining few, such as Mohammad Shahi-Arablou, out of the new committee. Then, they managed to elect the afore-mentioned Mohsen Mirdamadi as its chairman and IRMO's Mohsen Armin as its deputy chairman. In addition to these two, the resultant 23-person committee hosts 19

Table 1 The Major Pro-Reform Political Parties/Groups in Post-May 1997 Iran

Islamic Iran Participation Front (IIPF)	Party established in December 1998 by those activists who backed Mohammad Khatami's candidacy in his 1997 election. Many of its core members such as Abbas Abdi, Mohsen Mirdamadi, and Saeed Hajjarian, were student activists during and immediately after the Revolution. Mostly non-clerical and ideologically Islamic leftists. Mohammad Reza Khatami, the president's brother, is its secretary-general.
Islamic Revolution Mojahedin Organization (IRMO)	Re-established in 1991 by Behzad Nabavi and Mohammad Salamati. Political organization of the non-clerical Islamic-leftist revolutionaries. Both ideologically and through personal networks, IRMO and IIPF have close ties.
Majma'e Rouhaniyun-e Mobarez (MRM)	A clerical group mainly composed of younger disciples of the late Ayatollah Khomeini with Islamic leftist tendencies. Split from JRM in 1988. Although pro-Khatami, it does not always agree with some of the progressive sociopolitical agenda advocated by IIPF. Mehdi Karrubi serves as its secretary-general.
Executives of Construction Party (ECP)	Established in 1996 immediately prior to the Fifth Majles elections by Cabinet ministers of the then Rafsanjani government. Its members were either relatives or protégés of Rafsanjani. Known for its pro-growth economic policy. Helped get President Khatami elected in 1997, but not necessarily appreciated for this by IIPF. The former Tehran Mayor Gholamhossein Karbaschi is its secretary-general.

more "reformers" including Mohammad Reza Khatami, former Ershad Deputy Minister Ahmad Borqani, and Tehran University political scientist Elaheh Kulaie.

The IIPF-IRMO camp also succeeded in sending their prominent members to several other important committees. The Energy Committee, which oversees Iran's oil and gas sector, selected Mostafa Taheri of Najafabad as its chairman, and Behzad Nabavi and the IIPF's Mohammad Naimipour as its members. The Planning, Budget and Accounting Committee, with Majid Ansari of MRM as its chairman, included as its members Rajabali Mazrouie and Mohsen Safaie-Farahani. The Article 90 Committee, which investigates complaints submitted by citizens, became headed by Ali Shakurirad of IIPF, who is also a member of the Presiding Board.

While the IIPF-IRMO camp is a largest faction within the Sixth Majles, it does not have a simple majority of its own. This apparently is the primary reason why the so-called Reform Majles has not been very successful in changing things very much. With 13 seats yet to be filled, the IIPF-IRMO faction is composed of about 100 deputies, while its conservative opponents have about 65 deputies. The remaining some 110 deputies are

divided into several centrist groups (such as ECP, MRM, the Islamic Labor Party, and Islamic Solidarity Party) and independents, both siding with one or the other of the above two—that is, the IIPF-IRMO or the conservative—depending on the issues. In particular, the position of MRM is tricky in that although pro-Khatami and with a leftist inclination, the clerical group is occasionally more in tune with its conservative opponents than with its lay Islamic-left allies. For example, on June 11 when the speaker and his deputies were elected, MRM sided with the conservative faction in backing Majid Ansari, a MRM member, for the post of second deputy speaker against the IIPF-ECP candidate, Mohammad Reza Khatami. Although he did not win the post, Ansari managed to receive 115 votes. On another occasion, October 3, MRM along with ECP voted down the IIPF-backed nominee for the post of Post, Telegraph and Telephone (PTT) minister, Nasrollah Jahangard. On this vote, Jahangard received 99 votes in his favor, but his opponents managed to gather 127 votes.

2.1.4 A Balance-sheet of the Reform Majles: Its First Six Months

As noted, the Reform Majles has not been

able to produce tangible results in the form of new legislation in its first six months. This may not be a surprise given that, although the “reformers” in a larger sense form a majority within the Majles, most of them are inexperienced first-time deputies and also that no single faction possesses a simple majority of its own. Yet the fact remains that this comes as a disappointment from the perspective of the reform-aspiring public. Here, let us consider the cases of Press Law reform and economic policymaking.

One of the first tasks on the agenda that many in the Reform Majles chose to take up just after it was convened was the issue of Press Law reform. The previous Majles, in its final days in April 2000, enacted a restrictive Press Law that, in fact, authorized many practices that had already been in use since 1998. The effort to reform the Press Law in the Sixth Majles, therefore, concerned both re-upholding those press freedom-related rights that were negated in the April law and further ensuring other rights concerning journalists and the press. The need for Press Law reform had apparently added to its urgency after more than a dozen reformist and liberal newspapers and magazines were banned in late April and several renowned journalists and editors were jailed simultaneously.

Efforts to reform the Press Law got under way soon after the Presiding Board was elected. As early as June 14 when the Presiding Board had its first formal consultations, the issue of Press Law reform was discussed. Then the Culture Committee headed by Ahmad Pournajati started its review of the 14-article draft law on July 3 and, after a two-week intensive review process, approved it on July 16. The draft law stipulated that any press offence or banning of periodicals be judged by the Press Court with the presence of a press jury, and proscribed the Revolutionary Court or the Special Court of Clergy from judging press-related offences.¹

Under the constitution of the Islamic Republic of Iran, bills approved by the Majles must be

ratified by the Guardian Council before becoming law. Therefore, the efforts by the Sixth Majles to reform the existing Press Law were expected to be resisted, sooner or later, by the arch-conservative Guardian Council. Yet, an end to the efforts came much earlier and from an unexpected source. On the morning of August 6 when the committee-approved bill was scheduled to be presented to the plenary session, Majles Speaker Karrubi read out a letter sent to him by Supreme Leader Ayatollah Khamenei and announced that he had eliminated the bill from the agenda. The open session then deteriorated into verbal arguments between the speaker and some IIPF deputies who opposed the former’s decision to shelve the press bill. This incident was remarkable in that not only did the Leader intervene in the legislative process without being prompted, but he also unequivocally stated that changing the existing Press Law would not be in the interest of the regime. Technically speaking, that judgment was to be made by the Expediency Council (*Majma‘e Tashkhis-e Maslahat-e Nezam*) which had been created, after all, for that very purpose. Given that, the hidden intention of the Leader’s preemptive intervention may have been to incapacitate the Reform Majles before it becomes practically unstoppable.

At any rate, the incident was also notable in that it made it clear that the MRM’s Karrubi and the IIPF-IRMO reformers did not share the same eagerness and support for the socio-political reform agenda advocated by President Khatami. Speaker Karrubi introduced Ayatollah Khamenei’s letter as *hokm*, or a mujtahid’s injunction that must be followed. By doing so, he in effect sided with the conservative opponents of Press Law reform. After this incident, wholesale efforts to enact a new Press Law have been resisted by the speaker himself, although there have been separate efforts to enact some amendments to the existing law. In one such effort, the Majles on October 31 adopted a motion that periodicals did not need new permission to change their status, say, from a monthly

to a daily publication. Yet the motion was immediately struck down by the Guardian Council on the following day.

While the Majles has been unable to find a breakthrough in its efforts to amend the Press Law, we can find some tangible results in its efforts in the economic policymaking arena. On June 17, just after the Majles was convened, President Khatami replaced the Planning and Budget Agency chief Mohamad Ali Najafi, an ECP member, with PTT Minister Mohammad Reza Aref. Aref is one of the few US-educated technocrats that IIPF has, and his appointment as the head of the new budget agency—named Management and Planning Agency—indicated a greater desire on the part of the president and IIPF to secure the upper hand in economic policymaking *vis-à-vis* the ECP.

It is, however, ECP—and not IIPF—that is known to have with them many of post-Revolution Iran's technocrats and economic "bureaucrats." IIPF, on the other hand, more or less lacks those with macroeconomic and development-policy backgrounds. IIPF activists, such as Abbas Abdi and Rajabali Moazrouie, made it clear that they place priority on political rather than economic reform. This does not seem to have changed even after the opening of the Sixth Majles. The final communiqué that IIPF adopted at the conclusion of its first party congress in July, 2000, did not dwell much on its economic agenda. It is remarkable that it did not even mention the need for foreign investment, not to mention call for its expansion.²

In this sense, it was surprising that the Sixth Majles invited the finance and intelligence ministers as well as the Central Bank president, on August 21, to discuss foreign investment in a closed session, and that it gave approval to the first reading of a Foreign Investment Attraction and Protection Bill on August 23. Although it still requires approval on one more reading after its individual articles are scrutinized in the relevant committees, the swiftness with which the Sixth Majles gave its tentative approval to the bill shows a marked contrast with the difficulties it has encountered with

Press Law reform. This does not mean, however, that the efforts to enact the foreign investment bill in question were a result of the new legislative initiative of the Six Majles deputies. In fact, the bill, which is expected to replace the existing 1956 law, has been worked on by successive Majleses over the last five years. This is evident from the fact that the main backers of the bill are ECP deputies such as Esmail Jabbarzadeh and Ali Hashemi.³ While the 1956 law does not cover investment in the service sector, the new bill is designed to protect foreign investment in non-governmental sectors as well, and specifically stipulates that buy-back schemes and Build, Operate and Transfer (BOT) projects will enjoy the protection of the law (Article 3, Note 1).

The Sixth Majles also acted on October 10 to authorize some additional spending for the fiscal year 1379 (March 2000-March 2001) after 8 to 10 billion dollars in extra revenues were expected to accrue from the country's oil exports. This move amounted to a policy change in that the previously-adopted Third Five-Year Plan had stipulated that any extra oil revenue would be saved in a special foreign-currency account for possible future shortfalls in export revenue from depressed oil prices. The decision was made as some veteran conservative deputies, such as Mohammad Baqer Noubakht, opposed to the move. It can be pointed out, however, that while acting swiftly, the Majles only indicated that the money be spent to boost employment, and simply entrusted the government with devising specific spending measures.

On November 29, the Majles received from the government the budget bill for the fiscal year 1380 (March 2001-March 2002). The budget bill, prepared by President Khatami's new budget agency head, Mohammad Reza Aref, proposes 449 trillion rials in total spending—a 24.6 percent increase from the preceding year—and expects 5.5 percent economic growth. How well the reform-backing new Majles will be able to deal with the government's initiatives will be the next important test of its effectiveness.

2.1.5 The Conservatives' Resistance

The conservative faction, which had wrongly expected to win the chief executive position in the 1997 presidential election, has now even lost its hold on the Majles—the important legislative body and the key public forum. As a result, it has increased its reliance on the judiciary branch and its operatives as a primary tool of factional politicking and the means to slow or reverse the process of post-1997 “reform” and liberalization. The mass banning of the reformist, and some liberal, press after the February 2000 elections, has left a tangible effect on the remaining few newspapers. The *Hayat-e Nou* and *Bahar* dailies, which began publishing after the popular *Sobh-e Emruz* and *Fath* dailies were banned, showed marked conservatism and caution in publishing their news items and political columns with an apparent fear of being banned.⁴ Furthermore, the terror attempt on Saeed Hajjarian’s life and the numerous arrests of famed journalists and editors, including Mashallah Shamsol-Vaezin, Akbar Ganji, and Emadeddin Baqi, constituted a wholesale attack on “reformist journalism.” The campaign of apparently politically-motivated arrests has been extended to the participants of the April 2000 conference held in Berlin as well as civil-rights and pro-reformist lawyers such as Shirin Ebadi and Hojjatol-Eslam Mohsen Rahami. In the meantime, the trials of those indicted in the Tehran University Dormitory Aggression case, which started just after the February 2000 elections, ended in acquittal for the 17 accused, including Commander Nazari of the Greater Tehran Law Enforcement Forces.

At the same time, the fact remains that the conservative faction has—since 1997—been unable to garner the required popularity to win in popular elections. The conservatives have yet to develop a new strategy to overcome this predicament. The apparent partiality of the courts—as well as that of law enforcement forces and other public institutions such as the Islamic Republic of Iran

Broadcasting (IRIB)—does not seem to have helped reverse this adverse trend for the conservative faction. Against this background, it is notable that Ayatollah Khamenei quietly dismissed two notorious Revolutionary Guard-seconded police commanders—the Law Enforcement Forces (LEF) Chief Commander Lotfian in June, and Commander Naqdi of the LEF’s Counter-Intelligence Bureau in September, 2000. This may be construed as a balancing act on the part of the leader to avoid provoking an outright public backlash against the conservatives.

2.2 Foreign Economic Relations after the Majles Elections

2.2.1 Expanding Foreign Economic Relations

As noted above, the pro-Khatami IIPF reformers have proclaimed that they place priority on political reform over economics to such a degree that their conservative opponents are increasingly criticizing them for lacking any economic policy. At the same time, it is a fact that Iran’s foreign economic relations have expanded greatly since the Khatami administration came to power in the summer of 1997. This general trend continued in 2000 after the February Majles elections (see Table 2).

Among EU countries, it was Germany that seemed to have steadily expanded its economic relations with Iran in 2000. In July, President Khatami visited Germany, which in turn sent its economic minister with a large economic delegation to Iran in October during the Tehran International Trade Fair. For its part, the UK sent two Cabinet ministers to Iran in 2000. While the Jewish spy trial in Shiraz which started in May apparently caused the repeated postponement of the scheduled visit by Foreign Secretary Cook to Iran, the British planning and trade ministers separately visited Iran together with their respective economic delegations. It is also notable that the UK had voted in favor of a US\$230 million World Bank

Table 2 Iran's Foreign Economic Relations Highlights in 2000

January	Saudi Commerce Minister visits Tehran
February	French Economic Mission visits Tehran
March	Italian Foreign Minister visits Tehran
	German Foreign Minister visits Tehran
	US Secretary of State announces partial lifting of trade ban with Iran
May	World Bank authorizes a loan to Iran
June	President Khatami visits China
July	Iranian Finance Minister visits Saudi Arabia
	President Khatami visits Germany
	British Planning Minister visits Tehran
	ENI signs a South Pars gas field development deal with Iran
August	Majles Speaker Karrubi confers with US oil executives in New York
September	Tehran International Trade Fair attracts many Western companies
	Egyptian Privatization Minister visits Tehran
	British Trade Minister visits Tehran
October	German Trade Minister visits Tehran with an Economic Delegation
	Spanish Prime Minister visits Tehran
	President Khatami visits Japan
November	Norwegian Oil Minister visits Iran

loan to Iran in May, signaling its eagerness to compete with other EU states for expanded economic ties with Iran.

2.2.2 Attracting Foreign Investment: The Pro-Khatami Reformists' Position

While not without exceptions, new foreign investment deals that Iran has signed in the last several years have mostly been in energy-related areas. Among them, the most notable was the contract Iran signed with Agip (ENI) of Italy for developing Phase 4 & 5 of the South Pars gas field, which was among the 40-some buy-back investment schemes Iran had offered in July 1998. Iran's oil and gas industry has continuously been under the management of its Oil Ministry and the National Iranian Oil Company (NIOC) which shares the policy outlook of the Rafsanjani faction (ECP), a fact that the result of the February Majles elections did not affect.

Yet the fact remains that Iran's negotiations with potential foreign investors in these buy-back projects have not resulted in as many actual contracts as Iran had expected. It is partly due to the fact that these buy-back schemes are rather short-term and profit margins are fixed over the contract years regardless of actual productivity. While the international energy companies are looking for better terms, there is some criticism inside Iran that these buy-back projects have given too much profit to foreigners. Facing these conflicting demands, the oil sub-committee of the Sixth Majles—headed by ECP's Ali Hashemi—reportedly began reviewing all the existing buy-back projects in November.

As noted above, pro-Khatami IIPF did not spell out its stance on foreign investment in the communiqué of its first party congress held after its election victory. This does not necessarily mean that these left-leaning reformers are against expanding economic ties with advanced industrial

countries, or inviting direct foreign investment to Iran. One indication of this can be taken from an interview with deputy Majles speaker, Behzad Nabavi, given to IRMO's *Asr-e Ma* weekly.

Speaking after the Majles approved the first reading of the new Foreign Investment Attraction and Protection Bill, Nabavi clearly stated that Iran definitely needs foreign capital to develop its resources and also that foreign investment is beneficial because it would transfer recent technology to Iran. About the expressed fear of falling into foreign domination again through accepting direct investment, Nabavi declared that post-Revolution Iran has succeeded in establishing a truly independent political regime which is capable of controlling any foreign investment within the country. He also stated that a successful government is one that could invite foreign investment without losing any of its independence. Nabavi further argued that given its location inside a high-risk region, Iran must provide necessary legal and institutional arrangements in order to attract foreign investment.⁵ These comments seem to indicate that the apparent lack of foreign investment policy among the pro-Khatami—that is, IIPF-IRMO—reformers does not necessarily point to the existence of any ideologically-based opposition to foreign investment as such. Rather, it seems more to do with apparent neglect and lack of expertise on economic matters as a whole.

2.3 Future Prospects

2.3.1 Domestic Politics

Iran's domestic politics in early 2001 will be shaped by factional competition and realignment geared toward the presidential elections to be held in June. On another level, it is likely that confrontation will be further intensified between the courts and other conservative institutions and groups, on the one hand, and pro-Khatami activists/politicians and other reform-seeking personalities, on the other.

As for the presidential elections, the focus now is whether or not President Khatami will in fact run for a second term. In late July, after the Sixth Majles was convened with a reformist majority and the first IIPF congress elected his brother, Mohammad Reza Khatami, to its secretary-general, President Khatami declared that he would nominate himself as a candidate in the coming elections. Yet, as we noted above, the developments since early August, both inside and outside the Majles, seem to have made the president rethink his initial decision. Not only did the Majles stumble with its efforts to reform the Press Law, several days of violent confrontation erupted in Khorramabad, the capital of Lorestan Province, when a key pro-Khatami student organization—the Unity Consolidation Office (*Daftar-e Tahkim-e Vahdat*)—sought to hold its annual convention there. Also increasing conservative criticism of the popular culture and Islamic guidance minister, Ataollah Mohajerani, led finally to his apparent resignation in September.⁶ Since mid-October, several reports have come out to the effect that President Khatami was expressing deep reservations, and remained undecided, about running for a second term.

While still maintaining his high personal popularity among the citizens, President Khatami has increasingly been unable to even protect his embattled supporters, much less to advance his socio-political reform agenda over the last couple of years. Under these circumstances, even if he wins a second term in the popular contest, the political impasse will likely continue into the second term, with serious effects on underlying popular discontent over continuing factional fighting. While most pro-reform politicians and activists, including President Khatami himself, assert that the process of their reform is irreversible, continuing failure to achieve a breakthrough in political reform may well sooner or later "kill" the momentum for change that the May 1997 elections had created on the political scene as well as among the citizens. Given the actual record of his first term,

any election victory for President Khatami this year is unlikely to be as overwhelming as in 1997. Short of some dramatic turnabout among his conservative opponents, the process of political reform in Iran seems to certainly face an increasingly uphill battle as of now.

2.3.2 Foreign Relations

A focal point in Iran's foreign relations in 2001 is whether or not Iran and the US will be able to move toward improved relations. The arrival of a new administration in Washington gives the opportunity to review existing US sanction policy against Iran—especially for those added after 1995. A possible thaw and expansion in bilateral US-Iran relations may well occur in 2001, especially in their economic ties. The lifting of the 1995 Executive Orders which banned all US trade with and investment in Iran would be the key for this change to materialize. The initial burden, therefore, will be borne by the new US administration.

Although having expanded continuously since 1997, the recent trend in Iran's foreign eco-

nomical relations with the EU and other states could be disrupted if the domestic political situation plunges into further chaos and insecurity. Some of the signs in this regard have already appeared in relation to Iran-Germany ties. The arrest and the trials of participants of the April 2000 Berlin conference are threatening again Iran's relations with its largest trade partner. The presidential elections in June will also be of key importance in this matter. If President Khatami succeeds in re-establishing his leadership by winning the election, the favorable trends in Iran's economic relations with foreign countries will likely continue. If not, a reversal of the trend may ensue.

Notes:

- 1 *Iran*, July 18, 2000, p. 2.
- 2 See *Bahar*, August 1 and 2, 2000.
- 3 See *Iran News*, July 16, 2000, and August 24, 2000.
- 4 *Bahar* was banned, nevertheless, on August 8, 2000.
- 5 *Asr-e Ma* No. 181 (September 27, 2000), p. 4.
- 6 President Khatami agreed to his resignation on December 14, 2000.

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