

Donald Trump, uncertainty, and Iran's economy

The 2015 Joint Comprehensive Plan of Action (JCPOA) signed by Iran and the P5+1 (the US, the UK, France, Russia, China plus Germany) on behalf of the international community signalled a shift in international affairs, and coincided with optimism for the Iranian economy. The agreement, which alleviated sanctions levied against Iran, in exchange for a scaling back of the Iranian nuclear programme (the reason for said sanctions), conveyed the P5+1's resolve in addressing the nuclear security threat and, of course, the detrimental impact the sanctions were having on Iran. In gross domestic product (GDP) terms, the 2013 interim Joint Plan of Action (JPA) negotiations led the Iranian economy to go from a 6.6% GDP contraction rate in 2012, to 4.3% GDP growth rate in 2014, with inflation (measured using the consumer price index) almost halving from 30.5% to 15.6% in the same period, demonstrating the positive impact of the negotiations. That being said, more recent developments have threatened to not only reverse these positive economic indicators, but also threaten the JCPOA altogether. Indeed, US President Donald Trump's questioning of the deal has cast a shadow over the survivability of the deal, which in turn threatens to negate Iran's economic recovery.

Trump's criticism was typified by his notion that the deal was one of the "worst and most one-sided transactions" in which the US has ever been involved. Further, the 2015 US Iran Nuclear Agreement Review Act requires the president to recertify to the Congress every 90 days as to whether Iran is holding up its end of the deal. This points to two things. First, this Act delicately balances the US president's oversight of the JCPOA. Second, the fact that the UN finds Iran compliant makes it difficult for Trump to contradict this view. Indeed, Trump has previously suggested that Iran has gone against the "spirit of the deal". Additionally, the 24 July, 2017 US Countering America's Adversaries Through Sanctions Act empowered the US president to impose sanctions on Iran if it was found to have dishonoured the deal by 15 October.

At the time of writing (before the 15 October deadline), further developments point to the uncertainty regarding the JCPOA's survivability, regardless of the decision made on the day. Specifically, Trump had the opportunity to unhinge the deal by the 14 September Congress-set deadline to re-impose sanctions on Iran (which would have effectively invalidated the JCPOA). As a consequence, the 15 October deadline has relatively less significance, as it pushes the decision back to Congress on whether to re-impose sanctions—which has no impact on the JCPOA itself, practically speaking. That being said, this uncertainty definitively points to one thing—the JCPOA's survivability is being tested.

Whilst it is difficult to identify a Trump administration strategy at this stage (particularly following the US department of defence secretary, James Mattis' commitment to the JCPOA), what is clear is that this uncertainty is feeding into domestic politics within Iran, with the Iranian economy's health in the balance.

Indeed, inside Iran, the hardliners continue to voice their dismay at the JCPOA, citing how it goes against the constitutional principles of preventing foreign actors from interfering in domestic affairs. Trump's criticisms fold neatly into this narrative, with oppositional figures pointing to how the JCPOA is also not accruing the promised economic benefits. Furthermore, Trump's questioning and criticisms of the deal have exacerbated private (and public) sector concerns over the stability of Iran's economy, feeding the hamstrung economic growth and improvement promised by President Hassan Rouhani's administration. At the moment, Ayatollah Ali Khamenei is in support of the deal (especially given the economic hardships faced by Iranians as a consequence of the sanctions), and Rouhani. However, should the economy not continue to grow (or indeed continue to have growth levels clipped by the uncertainty cloaking the Iranian economy), it is possible to foresee Khamenei scaling back this support.

This uncertainty is compounded by the Arab Gulf states, epitomized by Saudi Arabia's critiques of the JCPOA. Across the Gulf, the Saudi Arabia aims to offset what it sees as growing Iranian influence in the region, and is looking to use economic means to do so. This, of course, is not without precedent. One only has to look to how Saudi Arabia increased oil production levels in the 1970s by almost a third to stifle the then Shah of Iran's attempts (i.e. budget) to develop nuclear power capabilities—and successfully so. Returning to 2017, Saudi Arabia's strategy of maintaining high oil production levels, combined with the uncertainty surrounding the JCPOA, have similarly hampered economic growth in Iran.

In addition, the ongoing fight against the Islamic State continues to play a role in this dynamic. On the one hand, the endeavour has seen positive Iranian involvement, pointing to an avenue for Tehran to increase regional influence (fuelling Saudi concern). On the other, the conflict represents a welcome distraction for Iran, away from this same growing influence. The point here is that the battle against Daish has prompted increased Arab Gulf states' concerns and action (through rhetoric, as well as by maintaining high levels of oil production), and further prompted questions over the stability and thus certainty of the Iranian economy.

As a result, it is clear that Iran's economic health continues to be inextricably linked to the domestic, regional, and international political forces in play. The salient point is that the existence of JCPOA critics continues to highlight not only how successful it was in the first place to come into fruition, but also how the Iranian economy delicately hangs in the balance.

This is part of the Young Asian Writers series, a Mint initiative to bring young voices from different Asian countries to the fore. Comments are welcome at theirview@livemint.com

Amir M. Kamel is a lecturer (assistant professor) in the defence studies department and an associate staff member in the department of Middle Eastern studies, both at King's College London, UK

END

Downloaded from crackIAS.com

© **Zuccess App** by crackIAS.com