Seven years after the Arab Spring, the optimism unleashed by these events has faded into a seemingly distant past. Brute force and absolute chaos reign in the war-torn countries of Libya, Syria and Yemen and, to some extent, also in Iraq, while most citizens throughout the region are subject to the repressive nature of despotic rule. Most of the autocratic regimes have once again consolidated their grip on power, which involves placing massive limits on political participation, civil liberties, and political and economic inclusion. In this year’s BTI, the average regional scores for each criterion assessing the state of democracy and governance have hit their all-time low. Status Index scores, which are an aggregate of the political and economic transformation scores, emphasize the severity of the transformation crisis: The average score, of 4.35 points, is the lowest recorded by the BTI for any region – ever. And this includes sub-Saharan Africa, a region that lags significantly behind MENA in terms of economic development.

Developments in Turkey have proved particularly dramatic. Under the leadership of President Recep Tayyip Erdoğan, Turkey has turned its back on democratization, sacrificing much to the country’s battle against so-called enemies at home and abroad. The restrictions placed on basic democratic rights and the steps taken to weaken checks and balances – which were introduced in the wake of the Gezi protests of 2013 – have been intensified since the failed coup that took place in the summer of 2016. And while Turkey just passes the BTI bar in qualifying as a “highly defective democracy,” the effects of the April 2017 constitutional referendum to restructure the presidential republic have fallen outside the period under review and are therefore not taken into account for this year’s edition. These events will likely lead to Turkey’s failure to meet the BTI’s minimum standards for a democracy.

Tunisia, by contrast, successfully consolidated its gains in democratic transformation during the review period. Given Turkey’s fall from grace, Tunisia now outranks by far any other country in the region in terms of democratic quality. The gains made have nonetheless been accompanied by considerable economic problems. The lack of economic opportunities for young people in particular and the major gaps in development between the coastal tourism-oriented regions and re-

Middle East and North Africa

Race to the bottom

Despotism, cut-and-run politics, failing states: Countries in the MENA region are mired in transformation crises like never before. Across the board, average regional scores for BTI democracy and governance criteria have hit their lowest point ever. Whereas the greatest setback is taking place in Turkey, Tunisia offers the region’s only positive exception.
mote rural inland areas are in urgent need of attention. Resolving these problems will prove key to the country’s further development as the only Arab Spring state in which democracy has grown.

Developments in Lebanon have been unsettling. For many years, Lebanon stood out as the only democracy among Arab nations. Yet the country no longer features a sufficiently democratically legitimate legislature due to the repeated postponement of parliamentary elections that were originally scheduled for 2013. But the June 2017 ratification of a new electoral law is an encouraging sign that elections will actually take place in 2018.

The state of economic transformation has worsened in nearly all of the region’s countries – not only in the mired-in-civil-war failing states of Libya, Syria and Yemen, but also in countries such as Kuwait or Turkey, which until recently have featured stable national economies. Slight improvements have been registered only in Iran after it signed on to the nuclear agreement and in Iraq, where IS has successfully been pushed back.

These sobering findings are confirmed by the BTI’s Governance Index scores. There is not a single state among all countries in the Middle East and North Africa region that the BTI can distinguish as featuring “very good” or even “good” transformation management. Turkey, which stood out clearly until the BTI 2016 as the best-governed country in the region, has fallen far to find itself at rank 5 within the region. The United Arab Emirates and Qatar, which are now rank at the top of the region and are followed by Tunisia and Jordan with just middling performances. The BTI 2018 registers only “weak” or even “failed transformation management” in more than half of the region’s states (i.e., Bahrain, Egypt, Iran, Lebanon, Libya, Morocco, Oman, Saudi Arabia, Sudan, Syria and Yemen).

These setbacks reflect two parallel developments that have become apparent in nearly all of the region’s countries: While the quality of governance has deteriorated, state leaders have extended their reach of power, thereby undermining the separation of powers. They have successfully kept parliamentary involvement in legislation to a minimum and continually squeezed opportunities for civil society participation.
Indeed, the autocratic turn observed in Turkey under the leadership of President Recep Tayyip Erdoğan is also of grave concern. This is clearly reflected in the BTI, as no other country has registered such a drastic fall across the board for this period under review. On 17 of 18 BTI indicators assessing the state of democracy, Turkey scored lower than it had in the BTI 2016. Notably, the EU accession candidate recorded its largest decline, of four points, with the commitment to democratic institutions indicator. These developments underscore the predicament generated by a democratically elected president who increasingly acts undemocratically and thereby undermines respect for democratic institutions. This problem became readily apparent already in 2015, when Erdoğan’s AKP lost its parliamentary majority only to regain it five months later in a snap election in which the AKP’s most serious challenger, the HDP – a party representing primarily Kurdish interests – was held at a disadvantage. Backed by a majority thereafter, Erdoğan set out to implacably pursue his agenda.

The harsh measures taken by the government in response to the failed coup of June 2016, which have included the declaration of a state of emergency, lie within the gray zone of democratic behavior – if not beyond. Tens of thousands of educators, professors, judges and police officers have been accused of conspiring against the government and removed from civil service. The number of political prisoners has also reached the tens of thousands and includes several journalists and NGO staff, many of whom have not been properly charged and lack access to legal representation. To avoid the consequences of violating the European Convention on Human Rights, the government simply suspended it in July 2016.

BTI experts also cast a critical view of developments through 2016 in Lebanon, where parliamentary elections have been repeatedly postponed. Traditionally considered to represent a consociational democracy, given the current state of affairs, the country looks more like a consociational autocracy. Exacerbating things are the facts that Hezbollah is increasingly resembling a state within a state, and that many Lebanese are increasingly identifying themselves politically in terms of their religious community. At the same time, the state’s administrative bodies are overburdened by the massive inflow of refugees.

Yemen, however, has descended into a state of utter collapse. Immediately after the Huthi rebels advanced into the capital, Sana’a, which prompted President Abd Rabbu Mansour Hadi to flee in March 2015, Saudi Arabia launched a military interven-
tion in the country that has resulted in some 10,000 deaths and the forced flight of at least 2 million people to date. Approximately 2.1 million Yemeni children are undernourished. The country report describes a “humanitarian catastrophe” in the country with no end in sight. For all practical purposes, the country is split between those areas controlled by the Huthi rebels (who are allied with former President Ali Abdallah Saleh) and those areas officially governed by internationally recognized President Hadi (who is backed by Saudi Arabia). Complicating matters are the terrorist activities of al-Qaeda on the Arabian Peninsula (AQAP) and IS, as well as growing separatism in the former South Yemen.

The two terrorist organizations, of which IS is clearly the more aggressive, have in the meantime lost ground in Libya and Syria, the region’s other two failing states, as well as in Iraq. But what appears to be good news also means considerable suffering for the local populations subject to the brutal tactics employed by IS in its last-ditch efforts to maintain its foothold, which include laying mines in residential areas, holding civilians hostage or shooting dead those who attempt to flee the violence. Both advancing militias and national military units have also committed gruesome crimes against local civilians.

The Iraqi government under Prime Minister Haider al-Abadi has stabilized somewhat and taken steps to battle chronic corruption and abuse of office, including a UNDP training program introduced in 2016. Libya remains split de facto into two territories and administrations, even though the rival leaderships were officially subordinated to the Fayez al-Sarraj-led Presidential Council in Tripoli established by the United Nations in March 2016. Despite its title as the Government of National Accord, it is not recognized by all stakeholders across the territory and is also subject to deep internal tensions. At the local level, however, citizens are increasingly joining together to take fate into their own hands. This, in addition to the successes waged in the fight against IS along some coastal regions, is encouraging developments in a country with an otherwise radically uncertain future.

Those looking for a success story in Arab democratization will have to focus on Tunisia for the time being, even though the arc of positive change observed there has flattened out somewhat in recent years. Of concern here are the limits placed on constitutional rights through the introduction of an anti-terrorism law in November 2015 following attacks at the Bardo museum and on tourists at the Sousse beach. The parliament’s decision in July 2015 to re-introduce the death penalty in specific cases is also disconcerting.

Can electoral quality suffer even when elections don’t take place and no changes are made to electoral law? In the case of Lebanon, the BTI 2018 answers this with an unequivocal “yes.” The country’s overly complicated electoral system is in part to blame, as is the long-running delay – since 2008 – of parliamentary elections. Back then, various power blocs within parliament agreed on a few, but not all, necessary electoral law reforms. As this year’s BTI country report notes, the key problem is that “the power-sharing-based dominance of political dynasties is what determines their relevance and bargaining power in negotiations for political posts to be apportioned after elections. This favors parties with clearly identifiable sectarian platforms over those supporting cross-sectarian initiatives.” In other words, Lebanon’s political leaders allow elections to take place only when they can count on a specific outcome. Unable to reach consensus on an election law prior to the planned June 2013 legislative elections, members of parliament simply extended their mandate initially by 17, then by an additional 31 months, which is essentially an entire legislative period. An appeal lodged by the opposition was rejected by the Constitutional Council, which cited the threat of a power vacuum. Until the Lebanese are provided an opportunity to elect a new parliament in sufficiently free and fair elections, the BTI will classify the country as a moderate autocracy.
Social inequality is growing

Not a single socioeconomic challenge in the region has been resolved. On the contrary, inequality and social exclusion are expanding. This is a ticking time bomb given the region’s rapid population growth.

According to the World Bank, the population of the 19 countries in the BTI MENA region reached 500 million in 2015 – some 60 million more than in 2005. This rapid population growth across most of the region gives cause for concern in light of economic developments there. First, the skewed state of social and economic affairs has persisted throughout the region for decades without any genuine progress being made. In fact, social inequality and the exclusion of large segments of the population from participating in economic life are actually growing. Second, the gap between the developed market economies of Qatar and the United Arab Emirates and the rest of the region’s countries has widened. Economic performance declined in both Kuwait and Turkey, where the regulatory framework for market competition was weakened so much that both countries are now categorized as market economies with functional flaws.

Recent improvements in Iran and Iraq have not changed much of the thorny overall state of economic development in the region. While Iran has profited from the July 2015 nuclear deal that eased international sanctions and resulted in a palpable rise in gas and oil exports, low commodity prices have kept a full recovery at bay and the high budget deficit from being markedly reduced. At the same time, the country’s macroeconomic indicators are encouraging. Under the leadership of President Hassan Rouhani, the government has led the country out of the seemingly intractable recession of the Ahmadinejad era to achieve an annual growth rate of 4% and brought inflation down from 45% to 12%. Rouhani’s success in both the 2016 parliamentary elections and 2017 presidential elections have confirmed his path of reform. However, the U.S. government response to Iran – particularly under President Donald Trump – has generated uncertainty. The United States remains suspicious of Iran, and the sanctions introduced under the Obama administration against firms active in Iran mean that the United States has proven able to act as a veto player in Iran’s bid to fully re-enter global markets.

Iraq’s economic performance has also improved. Despite having to battle IS, oil production in the country has increased by 30% during the review period and the government has introduced reforms to reduce the budget deficit. Its plan seemed promising given the oil price recovery that continued through 2016, even though the revenues generated remained sobering, at one-half the level achieved between 2011 to 2014, when prices were high.

In Egypt, the military regime under President Abdel Fattah al-Sisi demonstrated neither the will nor the ability to introduce...
urgently needed far-reaching reforms, particularly in areas concerning social issues. Thanks to a $12 billion IMF loan disbursed in November 2016 after years of negotiation, the massive pressure weighing on the country’s finances were eased somewhat. But the loan comes at a high price for the country’s poorest in particular, as it involved floating the Egyptian pound against the U.S. dollar and resulted in a near-overnight 50% devaluation. The price of daily necessities, such as foodstuff and medicines, thus increased. The government has sought to attract foreign investment, presenting plans at the 2015 Egyptian Economic Development Conference at Sharm el-Sheikh to improve private property rights and cut red tape. But as long as Egypt’s armed forces remains one of the country’s biggest economic stakeholders, and one that is immune to state regulation and fair competition rules, there will be little genuine change to speak of.

Kuwait’s economy suffered losses primarily in terms of ensuring an environment conducive to fair competition. Small businesses and start-ups in particular face a number of challenges overcoming bureaucratic hurdles, while oligarchs and the emir’s relatives continue to dominate key sectors of the economy. The government response to low oil prices involved introducing structural reforms and unpopular cuts to the public sector and subsidies. In an effort to lower unemployment numbers among nationals by introducing quotas in even low-paying jobs, the government also introduced plans to “Kuwaitize” the labor force – a strategy common among Gulf state governments.

Many of the losses recorded in Turkey can be attributed to the government’s harsh response to the failed coup of July 2016 and the state of emergency declared in its wake. Since then, the private sector has had to grapple with several complications, including the expropriation of private property from firms deemed to be critical of the government. The broad-scale dismissal of thousands of educators and professors constitutes a severe blow to educational quality and will have a negative impact on training and job qualification levels. The slump in tourism has already forced the flagship enterprise Turkish Airlines to park several airplanes in the hangar and strike unprofitable routes from its flight schedule.

Tunisia’s tourism sector, one of the country’s strongest sources of foreign currency, has also yet to reach its potential. Unemployment among young Tunisians in particular remains very high, reaching 28% in some regions, such as the economically neglected south and west. Strikes and protests are thus common, but the government is reluctant to introduce reforms and does so on an ad hoc basis. And although the trade unions and their umbrella organization, UGTT, have done much to ensure political stability in the country since 2011, their strong position is nonetheless worthy of criticism. Their reticence to accept measures that would foster, for example, a more flexible labor market has helped stall rather than advance reforms. Competition legislation reform and measures introduced in 2015 to strengthen the Competition Council mark minor successes in improving the regulatory framework for fair competition in economic activity.

A ticking time bomb: Since the Arab Spring, the region has fallen even further behind on social indicators

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BTI transformation management scores for governments across the MENA region have never been as low as they are for this period under review. The absence of democratic institutional structures – which renders the public interest subordinate to the leadership’s consolidation of power and self-enrichment – is a fundamental problem here. In nearly every country across the region, voters have no real say in determining who will lead their country or in voting them out of office.

Instead, most governments in the region are held accountable to a clientelistic network. Such networks include royal family clans in the region’s monarchies, the influential generals and intelligence agency officers who make up the sprawling “deep states” in the dictatorships of Algeria, Egypt and Sudan, and the militia-backed clerics of the Islamic Republic of Iran or, to some extent, Iraq and Lebanon. In the case of commodity-rich countries, it is exceedingly difficult to exert pressure from the outside to democratize. And even the resource-poor states, such as Egypt and Jordan, are often courted – not criticized – by the EU and the United States as the fight against terrorism and efforts to stem irregular migration take precedence.

It therefore comes as no surprise that governments in the region line their own pockets with their nation’s wealth, imprison oppositional forces, and utterly ignore or eschew critical research and recommendations from external advisers. Appeals to the so-called will of the people by government leaders from Rabat to Tehran to Ankara and Khartoum are more easily made during periods of intense political instability. Indeed, it is far too simple for these governments to cite security as their prime directive.

The case of Turkey demonstrates where this type of polarizing and confrontational governance style leads. The Turkish government now finds itself in a self-declared battle with the Gülen movement, which – like the Kurdish Workers’ Party (PKK) – it has declared to be a terrorist “enemy of national interests.” During the review period, this has resulted in the government’s taking draconic measures, some of which are unconstitutional or incompatible with Turkey’s international obligations, in particular with regard to its Council of Europe membership. The BTI country experts speak of a government that is engaged in a “witch hunt” of its critics, some of whom have been put in prison without legal cause, where they are held for months without being granted proper access to legal counsel. For President Erdoğan, consensus-building does not appear to be a relevant aspect of good...
political leadership. This marks the biggest difference between the region’s two remaining democracies, as the quality of governance in Tunisia has shown continued improvement thanks to the leadership’s consensus-oriented approach and de-escalation efforts.

The Turkish leadership’s disavowal of consensus resembles in some ways the regime logic of Egyptian President Abdel Fattah al-Sisi, although the two differ substantially in terms of the extent of repression and their ideological beliefs. After all, al-Sisi is a member of precisely the kind of military class that Erdoğan has successfully fought and, in contrast to Erdoğan, the Egyptian president has done everything he can to keep political Islam from exercising political power, which includes sidelining the Muslim Brotherhood by classifying it in 2013 as a terrorist organization. However, the two leaders share similar populist strategies: Both claim to be backed by a united popular will and to be battling a so-called enemy of the state that is active both at home and abroad.

There is precious little in the way of good news for the region in terms of governance. The United Arab Emirates registered slight progress in its fight against corruption and its effective use of support. The Iraqi government under Prime Minister Haider al-Abadi achieved some success, particularly with respect to conflict management. The government proved able to regain control of territory from IS, but also demonstrated consideration for the interests of the Sunni minority, which has been subject to discrimination following Saddam Hussein’s removal from power and, in particular, during Nouri al-Maliki’s rule.

In Algeria, the improved acceptance and integration of the Amazigh, for example, through the inclusion of Tamazight as a national language in the revised 2016 constitution, has resulted in a slight improvement in the country’s transformation management score. But aside from this, Africa’s largest country appears to be mired in a battle over power. Old and in poor health, President Abdelaziz Bouteflika rarely makes public appearances and serves more or less as a puppet of the security forces. Bouteflika’s 2015 sacking of Mohamed Mediène, an influential intelligence officer who served 25 years as director of Algeria’s secret service agency, is a clear sign of behind-the-scenes machinations.

Morocco also recognized Tamazight as a national language through a legislative change in 2016. However, at the same time, massive protests (reminiscent of those at the start of the Arab spring) erupted in outrage over social inequalities and police brutality following the death of a fish vendor whose stand had been confiscated in October 2016. These events cast a poor light on the Moroccan government, particularly with regard to its credibility among international actors who otherwise have praised the country for its partnership with the EU in managing migration flows and battling terrorism. A December 2016 European Court of Justice judgment that bars products manufactured in the occupied territory of Western Sahara from the EU-Morocco free trade agreement has also hurt the country’s relations with the EU.

Governance trends in democracies: Tunisia and Turkey
Outlook

Intractable problems

For the BTI 2018, Turkey and Tunisia represent polar opposites within the region. After having successfully democratized, Turkey has since shifted away from a parliamentary republic to become an authoritarian state focused on the office of the president and has lost its standing as a reform-oriented moderate Islamic democracy. The failed coup has given the government free rein in silencing its critics. The social-democratic Republican People’s Party (CHP) is the last oppositional force in parliament able to prevent the AKP from securing absolute power. The CHP will need to mobilize support in large metropolitan areas, such as Istanbul and Izmir, if it is to build a strong opposition, while the division between Erdoğan supporters and his opponents will likely grow.

In Tunisia, by contrast, political participation and the rule of law have actually strengthened – despite all the challenges faced by the country. Concerns nonetheless persist as critics warn that President Beji Caid Essebsi, who served as speaker of parliament under long-term dictator Ben Ali and was also foreign minister in the early 1980s, might re-introduce authoritarian power structures. Economic development will determine the country’s future: If the economy recovers quickly and provides opportunities for young people in particular, the chances of democratic consolidation will improve.

As direct neighbors of the European Union, Turkey and Tunisia are of central importance. Whereas EU efforts in Tunisia focus on building a future, the EU aims to prevent the ongoing erosion of democracy in Turkey. However, it is unclear how to stop this with a president who actively escalates his differences with partners and who, despite the country’s NATO membership, demonstrates little will to cooperate in the fight against IS. At the same time, European leaders will likely continue to subordinate their demands regarding democratic standards to the overriding interests of security and stability. Furthermore, given the nature of U.S.-Saudi cooperation under the Trump administration, there is little hope that the United States will push hard for civil rights and political liberties in the region.

Regional leadership in MENA remains an open issue. The once-leading nations of Egypt, Iraq and Syria have lost their political stature, and the Arab monarchies have thus far not proven able to take on this kind of role. Indeed, the ongoing tensions among Gulf Cooperation Council members – which have recently erupted into a full-blown row – show that neither Saudi Arabia nor any other country on the peninsula is prepared to take on a leadership role in the region.

Overall, the prospects are dim for the region. Rapid population growth alone is a major challenge for the region’s economies. Terrorism and state failure, combined with sheer incompetence among many leaders, are at the root of many of the problems afflicting the region. Far too many governments are investing primarily in military and intelligence technologies, thereby consolidating the edifice of their state- and military-centered systems. This renders several sectors of their economies non-transparent, which undermines competitive input and modernization-oriented investment. Added to the mix are growing environmental issues, such as desertification and a scarcity of drinking water. Groundwater reserves in many areas of the region have been exhausted and, in some places, people rely on drinking water that is delivered by truck, which is prohibitively expensive for the poor. Cost-intensive desalination plants may be an option for the wealthy Gulf monarchies, but not for the destroyed economies of Yemen, Sudan or the Gaza Strip.

The fact that IS has been pushed back in Iraq, Libya and Syria raises new concerns, as it remains unclear which power structures and means of conflict resolution will emerge among those affected. And, finally, the widespread killing, raping and forced flight will have a profound impact on the region’s societies for decades.
In the elections of May 2017, President Hassan Rouhani achieved a mandate for his course over the next years. How do you explain his resounding victory of 58 percent?

Hassan Rouhani's victory shows that the majority of Iranian society is still in favor of the moderation discourse, which is currently based on two main themes. First, there is a recognition of the need to interact with the outside world as a means of advancing the country economically. And, second, there is a widespread desire to maintain stability and security in the region through interaction and collective diplomatic efforts. Rouhani’s main rival, Ebrahim Raisi, focused instead on citizens' welfare and daily economic demands, which are also a matter of great interest to many Iranians. Yet, in the end, the people of Iran have chosen to stick with Rouhani’s course, as they believe it is the best means of achieving Iran’s economic and political progress, securing the country in a volatile region, and avoiding tension with other countries, particularly the United States.

The election results are all the more impressive, as the hoped-for economic recovery after the end of the sanctions did not materialize until early 2017. Economic reforms are urgently needed. But will they take place?

I believe that, under the demands of the country’s interactive and progress-oriented middle and younger generation, this will happen sooner or later, and that no force can resist it. At present, the main constraints relate to the low pace of privatization, the deficits in a smart management of resources, and the state's lengthy bureaucracy. Despite recent positive changes, comprehensive economic reforms will necessarily require a considerable investment of time and broad-based effort. The government hopes that more balanced domestic politics and stable foreign policy will allow Iran to steer a steady course. Of course, reconciliation between the Rouhani administration and different circles of power has gained momentum since the May 2017 presidential elections, as political elites and citizens alike acknowledge the need for national unity in achieving progress.

During the election campaign, Rouhani emphasized his intent to fight corruption. Does he have the political will, and does he have the political clout?

He has both the will and the clout, and I believe that fighting corruption will give the government a unique advantage in demonstrating its commitment and efficiency. Tackling corruption is a key demand and expectation among citizens and civil servants alike, and was the focus of much discussion during the presidential campaign. It offers the government a great opportunity to act and prove itself effective. Right now, the issue of corruption is widely and openly discussed throughout Iranian society and in social media. Iran’s Supreme Leader Ayatollah Ali Khamenei has stressed the need to act forcefully against corruption, and one should note that some positive steps have already been taken. Yet again, considering the state’s bureaucracy, this will take some time, and Rouhani will not be able to eradicate the problem overnight.

The JCPOA “nuclear deal” probably marks the biggest success so far of the Rouhani presidency. But how can the Iranian government reconcile trust-building with Western powers and continued support for Hezbollah and Assad?

First of all, we should develop our understanding of the real reason behind Iran’s presence in the regional issues. From the Western and some Arab countries’ perspective, this might be purely expansionist. But we should not ignore the reality that the rise of terrorism and the subsequent geopolitical rivalries between regional and transregional players have also brought about security challenges for Iran, and that most of the country’s actions are only reactions to these challenges. So, in essence, Iran’s policy is defensive and represents an attempt to pre-empt threats, something which other actors interested in the region are also doing. For instance, Saudi Arabia is bombing Yemen only to pre-empt the possibility of an anti-Saudi government coming to power in Sana’a. The Saudi’s actions in Bahrain, Iraq and Syria are based on the same logic. Turkey is sending troops to northern Syria in order to protect its so-called national security or interests. Russia and the United States are doing the same. Why is Iran considered to be an exception? Trust-building is a mutual endeavor, and no country compromises its national security individually.

As I stressed in my recent article, Iran has developed a strategic patience and a growing political rationality in its foreign policy in order to balance its strategic limits against the available national resources. In this respect, I believe Iran is currently more likely to focus on specific coalitions, such as those fighting terrorism, addressing environmental problems, energy security and so forth, in order to strengthen the value of its role and diplomacy among international partners in a multilateral context. In fact, Iran aims not to challenge the role of other actors, but to emphasize its own role and interests.

“Trust-building is a mutual endeavor”
Kayhan Barzegar on reform perspectives under President Rouhani, the fight against corruption, and Iran’s regional role

Kayhan Barzegar is Director of the Center for Middle East Strategic Studies in Tehran. He is also an Associate Professor and Chair of the Department of International Relations at the Science and Research Branch of the Islamic Azad University. He was Research Fellow at Harvard’s Belfer Center (2007–2011), Research Affiliate at the MIT Center for International Studies (2011–2014), and Post-doctorate Research Fellow at the London School of Economics (2002–2003). His most recent publications include Iran’s Regional Policy after the Arab Spring (2016) and “Political Rationality in Iranian Foreign Policy” (Washington Quarterly, Spring 2017). He has been a member of the Transformation Thinkers network since 2003.

Interview