

# Iran: The Populist Threat to Democracy

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The August 31 UN Security Council deadline for Iran to suspend its uranium enrichment program passed with the Islamic Republic, not unexpectedly, refusing to acquiesce. In the summer of 2005, the newly inaugurated President Mahmoud Ahmadinejad reversed his predecessor Mohammad Khatami's voluntary suspension of enrichment, claiming that Iran had received nothing substantial in exchange for the unilateral confidence-building measure. Iran's official position since August 2005 has been to seek unconditional negotiations with the West, presumably not just over its nuclear program, but over a wide-ranging security and economic package as well. The Israeli invasion of Lebanon, openly supported by the United States, hardened the Iranian regime's attitude into truculence. Perceiving the attacks on Hizballah as attacks upon itself, the regime also saw the Israeli military failure as its own victory. Sensing unprecedented strategic advantage—US helplessness in Iraq, persistently high oil prices and lack of Western consensus on sanctions—the leaders of the Islamic Republic see no reason to accommodate a sworn enemy.

Intransigence in the nuclear standoff holds serious dangers for Iran. Yet even if cooler heads prevail on this issue, the damage being inflicted on Iranian civil society and democratic movements by the increasingly repressive militarist-populist coalition that controls all wings of the state may prove a greater obstacle to the progressive normalization of Iranian politics.

## Military Vulnerability

Since President George W. Bush included Iran in his "axis of evil" in 2002, the Iranian political elite has been convinced that Washington's goal is to change or seriously undermine the regime in Tehran. The Bush administration's subsequent words and deeds have lent credence to this concern. So convinced, Iran is not tempted by the various carrots offered by European negotiators, with tepid backing from Washington, to induce Iran to cease enrichment.

Iranian leaders consistently demand open negotiations without preconditions about nuclear research activities. The three main headlines in the September 23, 2006 Ettelaat newspaper, citing statements made by the president, the head of the Expediency Council and Ayatollah Khomeini's successor as Supreme Leader, respectively, are typical: "Ahmadinejad: 'We Want Peace with Everyone, but We Will Not Submit to Force'"; "Rafsanjani: 'We Are Ready to Negotiate Over Everything, but Without Preconditions'"; "Khamenei: 'Iran Never Attacks Others; Under Fair Circumstances We Are Ready to Negotiate Over Suspension.'" These leaders' suspicions of US intentions make them loath to relinquish the strongest card they have for compelling Washington to the table: apparent progress in nuclear research. Mohsen Rezaee, commander of the Revolutionary

Guards during the Iran-Iraq war, warns that any retreat from this stance will lead the West to demand much greater concessions. "The main objective of the US is to overthrow the Islamic Republic...[or at least to] change Iran's behavior in order to neutralize it as an independent player.... That is why any haste or any sign [of weakness] is a strategic mistake.... The truth is that Iran must prepare itself for both an imposed confrontation and for negotiations." [1]

Iran's confident posture is based on a paradoxical combination of strategic strengths and weaknesses. With 140,000 US troops mired in quickly disintegrating Iraq, and thousands more in hardly stable Afghanistan, Iran finds itself in the surprising position of being a key stabilizing force—or a major spoiler—in both countries. At the same time, Iran is sitting between two countries occupied by an openly hostile superpower, whose navy and air force maintain large bases in Arab Gulf states, Turkey and Central Asia as well. Despite Iran's shows of military prowess, the fact is that it is in no position to resist a major US attack. Iranian aircraft, both military and civilian, fall out of the sky with frightening regularity, due to a lack of spare parts resulting from US sanctions. Iran's lengthy, porous borders and its restive ethnic minorities make it vulnerable to external meddling. Over the past year, recurrent local riots and terrorist attacks have taken place in majority-Arab Khuzestan, Azerbaijan and Kurdistan. In March 2005, Baluch salafis belonging to the Jondollah Army, and wearing Iranian police uniforms, crossed the border from Pakistan and Afghanistan, and attacked a convoy, killing the governor of Zahedan, the provincial security head and 20 high-ranking officials. Two months later, 30 armed men massacred 12 civilians in Kerman, around 180 miles from the Pakistani border. [2] Although discontent with repressive central government policies is at the root of these outbursts, Iranian authorities regard them as the result of US or British subversion. There is indeed circumstantial evidence of US interest in stirring up trouble among Iran's minority and provincial populations, who are fed up with poverty, unemployment and government repression. [3]

Iran's conventional military capabilities are those of a third- or even a fourth-rate power, unable to threaten its much smaller neighbors, let alone the US military. The figures in the adjacent table may be somewhat misleading, as some expenditures are hidden within budget items not made public, but the same holds true for other regional militaries. The fact is that, per capita and as a percentage of gross domestic product, Iran's military budget remains well below those of most of its smaller neighbors, although the current military budget was raised a whopping 30 percent for the fiscal year 2006-2007. [4] According to analyst Anthony Cordesman, Iranian military equipment is obsolete and unreliable. Iran lost up to 60 percent of its total inventory of armor and land-based weapons during the Iran-Iraq war, and has not replaced them with cutting-edge weapons systems. Iran produces much of its military hardware at home, based on older Russian and Chinese technologies. Most of its battle-hardened soldiers left the military in the 1990s. The current personnel are mostly conscripts, without combat experience and modern training. [5] Another scholar concludes that while Iran may aspire to project military power beyond its borders, its current military doctrine is "primarily defensive." [6] Indeed, amidst the ambient talk of regime change, Iran's domestically manufactured missiles, Silkworm anti-ship batteries and the arsenal of cruise missiles purchased from Ukraine should be seen as deterrents, as should Iran's influence over various Iraqi (and Afghan) factions, its nuclear program and its proven ability to wage defensive unconventional warfare on its own territory.

Although critical debate of the nuclear issue is forbidden in the Iranian press, the current government's intransigence has been the subject of significant, if oblique, criticism by opposition politicians. [7] To the needling of hardline conservative supporters of Ahmadinejad about "appeasement," Mohsen Aminzadeh, the influential former deputy foreign minister in charge of Asian affairs, revealed that the reformist Khatami administration had been barred by the Leader, Ayatollah Ali Khamenei, from setting nuclear policy or pursuing détente with the US. [8] Earlier, the

former chief negotiator, Hassan Rowhani, a pragmatic conservative ally of former President Ali Akbar Hashemi-Rafsanjani, had written that Khamenei explicitly sanctioned his acceptance of a temporary suspension of enrichment and additional International Atomic Energy Agency inspections.[9] These revelations showed that Khamenei and his hardline allies had been the ones seeking to “appease” the international community. Aminzadeh also cast doubt on the statement of the conservatives’ nuclear negotiator, Ali Larijani, that pursuing the full nuclear fuel cycle makes sense for Iran because it possesses major uranium ore deposits, saying that these deposits are not as large as claimed.

The regime is, in fact, deeply divided over the confrontational course fronted by the populist president Ahmadinejad. A significant exchange between Mohsen Rezaee and Rafsanjani revealed the extent of the divisions. In an interview about the Iran-Iraq war, Rezaee said Rafsanjani, who was then commander in chief, had prevented Iranian victory: “After the liberation of Khorramshahr Iranian leadership was divided, with one group arguing that we should pursue the military strategy that expelled Iraq from our territory, while the other group, led by Mr. Rafsanjani, argued that we should follow up military success with a political strategy, and start negotiations over ending the war. As military leaders we followed the political leadership, but experience proved that if we had pursued our military offensive Saddam would have collapsed and we could have ended the war sooner.” Blaming the US for blocking a diplomatic solution back then, Rezaee proceeded to make a direct comparison with Iran’s current nuclear standoff: “The most important issue is that pursuing a political strategy denied us many opportunities, a mistake we were repeating during nuclear negotiations with the Europeans, where we didn’t gain anything because the Americans had closed off the diplomatic route.”[10] In response Rafsanjani published a classified letter from Khomeini, stating in no uncertain terms that Iran had actually lost the war (quoting a letter to that effect by Rezaee himself) and was in no position to continue a confrontational policy.[11] The implication for the nuclear showdown is clear: While the Iranian conservative and military leaders realize the limits of their ability to withstand US military or economic pressures, they are not willing to enter negotiations over the nuclear program or Iran’s regional role from a position of weakness, fearing a cascade of further demands that will eventually lead to destabilization of the regime.

If savvy politicians like Rafsanjani convinced Khomeini to accept defeat in 1988, this time around it is the military commanders who seem to be in the driver’s seat. All that pragmatists like Rafsanjani appear able to do is remind them, publicly, that they lost in 1988, and that the disaster could be dwarfed if they persist in the demagogic illusion that Iran can court full-scale confrontation, whether military or economic, with the United States.

Meanwhile, the domestic consequences of the hardliners’ final defeat of the parliamentary reformists led by former President Mohammad Khatami are, if anything, more momentous than the pending nuclear crisis.

## **Rise of a Security State**

Through a combination of electoral fraud, massive disqualification of candidates and genuine popular disaffection, parliamentary and presidential elections in 2004 and 2005 allowed hardline conservative forces to capture all elected national offices for the first time. Aware that the electorate had no stomach for ideological Islamist representatives, Ahmadinejad’s party, the Abadgaran (Developers, or Builders) did not list any clerics as candidates. Nor did they display pictures of Khamenei on their posters or raise any specific aspect of foreign policy. Instead, their campaigns emphasized fighting corruption, creating jobs and spreading justice through better distribution of wealth.

Virtual political unknowns, Ahmadinejad's cabinet and senior administrators were presented as earnest and committed professionals. In fact, most come from military, intelligence, security and prison administration backgrounds, or served as officers of the Guardian Council—the unelected clerical body empowered to overturn acts of Parliament. The appointments of Mostafa Pour-Mohammadi as interior minister and Gholamhossein Mohseni-Ejeii as intelligence minister raised especially vocal protests, both in Iran, during parliamentary confirmation hearings, and abroad.[12] Pour-Mohammadi has been accused of being a key member of the tribunal that sent thousands of political prisoners to execution squads in 1988. Ejeii is a notorious judge who sentenced numerous dissidents to prison, and is suspected of having ordered the assassination of several others. Mohammad Saffar-Harandi, the minister of culture, is implicated in a slanderous television program, *Hoviyat*, designed to defame well-known secular intellectuals, some of whom were later assassinated by death squads linked to the Intelligence Ministry.

Although there has been no dramatic rise of repression, there is an unmistakable sense that, ever so slowly, the screws are being tightened. The Writers' Guild issued a statement on June 14, 2006, in protest of recent attacks on women, students, protesters and the mystic order of Gonabadi dervishes. In a more ominous development, the interior minister announced that henceforth non-governmental organizations will be closely monitored and regulated by the state: "NGOs are not for political activism. Whoever wants to do political activism should apply for a permit to form a party.... The government will help those who want to help alleviate poverty, or save the environment, or involve themselves in charity and public good; but it will not reward ingratitude and subversiveness.... NGO gatherings are not the place to discuss politics." [13]

The move to curtail voluntary civic organizations was challenged by Ashraf Boroujerdi, the former deputy interior minister in charge of councils and social affairs (and the first woman to hold that post): "Over the past three months some 120 NGOs have received a permit to operate, except they all belong to the same [political] tendency. On average, 40 percent of the registered members belong to several organizations, meaning that, on average, each registered person belongs to at least three organizations. This might not be a problem, except for the fact that the applications of the organizations who do not share the opinions of the political rulers have been ignored." [14] When she was an official, Boroujerdi continued, government "tried to identify and formalize the NGOs, not interfere in their activities." In fact, under Khatami a hands-off attitude was gradually emerging toward university administrations and the publishing industry—though not the press, which was increasingly muzzled by the conservative judiciary.

Recognizing that democratic resistance in Iran is far from institutionalized, the state security apparatus has been subtle enough not to resort to spectacular crackdowns when it can be avoided. Instead, one by one, key individual activists and organizations have been targeted for arrest and shutdown. Popular professors have been forced into retirement, despite student protests. Younger progressive faculty members are being harassed by the university militia (*basij daneshgahi*), who have been circulating petitions asking for the instructors' ouster for their "feminist, secularist and liberal tendencies." When universities reopened in September, scores of politically active students were refused admittance on the grounds that they had "negative stars" in their files for subversive political activities.[15] The same fate has befallen trade unionists.

This policy of decapitating prominent nodes of resistance has paid off, especially as most opposition papers, even those adopting a moderate tone, have been banned. The reformists, having lost power and fearing that social unrest may encourage US intervention or a bloody domestic crackdown, seem to have decided to keep a low profile. The Iranian regime is under no illusions about its lack of popularity or about the brewing crisis of legitimacy over Ahmadinejad's unfulfilled campaign promises. As a result, the gradual repression of political opposition is coupled with an unbridled populism, with potentially severe consequences.

## Unbridled Populism

A key electoral slogan of Ahmadinejad's was: "We shall put the fruits of oil wealth on the ordinary person's dinner table." Ascribing Iran's economic malaise to corruption and bureaucratic incompetence, Ahmadinejad promised to reform the distribution of credit, complete scores of unfinished development projects and hold his ministers accountable for their performance. Later, a proposal for massive privatization of state assets, which was first proposed in the late 1990s, but resisted by various state factions, was floated as the linchpin of Ahmadinejad's program of redistributive justice.

Much of Ahmadinejad's policy is based on "investing" windfall oil profits, as if the Iranian economy's primary problem were a shortage of capital. Iran's oil revenue has grown from \$62 billion in 2005 to an estimated \$83 billion in 2006. Under Khatami, a Foreign Currency Reserve Fund was created to impose monetary discipline and direct oil monies toward the private sector as well as investments in development projects. In its final year, Khatami's administration withdrew \$14 billion from the fund. According to the Fourth Five-Year Plan passed by Parliament, the new administration was supposed to withdraw \$15 billion, but instead it pushed for and received \$40 billion of the oil revenues. At present the economy can productively absorb around \$25 billion of oil revenues, before suffering from acute inflation. In 2006, liquidity has increased well above projections and inflation has become a major topic of concern. Imports of capital and consumer items have more than doubled, from \$18 billion in 2004 to an estimated \$45 billion in 2006,[16] providing a visible, but ephemeral, sense of affluence. Meanwhile, according to a former deputy finance minister's estimate, the government is paying \$35 billion in subsidies, more than five times the annual development budget.[17] As expected, this massive injection of oil funds into the economy is not sustainable and has not led to any real economic growth: GDP growth, which was around 7 percent during Khatami's second term, has stayed around 5 percent under Ahmadinejad.[18]

These proposals have stirred widespread criticism and concern, even among Ahmadinejad's conservative allies in Parliament.[19] The flooding of the economy with oil funds can only lead to high inflation, neutralizing any benefit that redistributive policies may have brought to poor recipients and destabilizing the economy, as it did under the Shah in the late 1970s. Populist rhetorical attacks on "corrupt" entrepreneurs and state "mafia" are bound to lead to capital flight. Redistribution of state assets, in the absence of a strong legal framework and regulatory institutions, will only benefit the politically well-connected, creating corrupt oligarchies, as it did in the former Soviet Union.

The radical proposal to privatize and distribute state assets seems intended to create just such an oligarchy. Since the 1979 revolution, the Iranian economy has been dominated by the state sector. The latest estimate puts the state's share of the economy at 60-65 percent.[20] State-owned companies, of which there are over 500, have increased their share of the national budget from 54 percent in 2004 to 66 percent in 2005.[21] Ahmadinejad hails his proposal to distribute 80 percent of state assets—40 percent through the nascent stock market and 40 percent as vouchers to be distributed among low-income Iranians—as the greatest economic measure since the revolution. Closer scrutiny shows this policy to be highly suspect. A parliamentary investigation of the Privatization Organization concluded that many of its activities "cannot be considered privatization. After some companies have been passed on, the buyer has fired the workers, changed the zoning and speculated on the land after having sold the assets." [22] Meanwhile, the spokesman for the Chamber of Commerce claims that privatization is intended to finance a state deficit estimated at \$91 billion. It is clear that such massive redistribution of public assets will lead to significant shifts of wealth and power.

The vouchers, labeled the “Justice Shares,” began to be distributed in late October. In the first wave, some 5 million recipients in the lowest income deciles are supposed to be organized in 337 cooperatives in order to receive roughly \$3 billion worth of shares of state companies. As the Russian experience has shown, however, these cooperatives can easily be formed by the well-connected. Low-income people will be all too willing to sell their small shares to individuals (or companies) with the wherewithal to scoop up fortunes in bits and pieces. It is quite bizarre that the minister of cooperatives, Mohammad Nazemi, confirms that the state can remain a 49 percent shareholder in these cooperatives, and thus continue to exercise management over the “privatized” assets.[23]

The proposal to privatize another 40 percent of state companies through the stock market is equally full of holes. According to one estimate, 85 percent of the trade in the stock exchange is carried out by state agents of one kind or another.[24] In a state-controlled and uncompetitive economy, the absence of transparency about the status of various companies being put on the market, from steel mills to sugar refineries, may hold back serious investors. On more than one occasion, however, investors with connections to the military and security apparatus have aggressively attempted to purchase valuable assets. In 2005, a Turkish cell phone operator, Turkcell, was pushed out of the Iranian market, based on “security concerns,” and replaced with a consortium led by SaIran, a company owned by the military. More recently, the country’s largest automaker, Iran Khodro, tried to sell its 29 percent ownership of the country’s largest private bank, Parsian. After Ahmadinejad made a public threat regarding the matter, the Central Bank dramatically intervened to depose Parsian’s manager, claiming that a shady deal had been concluded.[25] The reformist newspaper Rouzgar revealed the details of the deal in a long investigative report. It turned out that a rival company, with connections to the intelligence apparatus, had tried to push the bidder out of the contest. When the bidder stayed in, Ahmadinejad made the incorrect accusation that the bidder had borrowed from the bank itself in order to purchase its shares. Further pressure was brought on the automaker when a police chief, Col. Hashemi, claimed that some 170 passengers had burned to death in faulty Iran Khodro vehicles.[26] The Revolutionary Guards have also stepped in directly to take charge of large oil and construction contracts, including a gas pipeline from Assaluyeh to Baluchestan, extension of the Tehran light rail system and expansion of the South Pars oilfields.

War veterans are the other key beneficiaries of the Ahmadinejad administration. Ali Darabi, head of the Veterans’ Organization, explicitly distinguishes his constituents, who played a key role during the 2005 presidential election, from the traditional conservatives: “After 1997 the right wing was completely isolated. The ‘children of the revolution’ [veterans] who were neither in the reformist government nor in Rafsanjani’s administrations were driven out.”[27] Under Ahmadinejad, Darabi goes on to imply, veterans feel they have been restored to their proper place. A recent law pledges that at least one quarter of all state hires will be veterans. The shockingly generous job benefits will cover the whole family, and include considerable subsidies for housing, employment, schooling and health care.

## **Prognosis**

While the US and the “international community” seem obsessed with Iran’s nuclear program, in Iran the modest democratic gains of the preceding decade are slowly eroding. Middle-class apathy and working-class poverty have, for now, created a state of political paralysis among the Iranian public. The populist and proto-fascist Ahmadinejad administration, meanwhile, is busy building a material base in a network of clients among the provincial poor, military veterans and other beneficiaries of state largesse. There is considerable evidence that this populist project cannot be sustained, especially if oil revenues fall, if UN sanctions are imposed on Iran or if there is a military conflict

with the United States.

It is incontestable that US threats of regime change have contributed significantly to the quietude of opposition political activists, encouraging the Iranian regime to greater abuses of power. The only way for the world community to help Iranian democracy is to accept the rational security concerns of Iran and open negotiations over the nuclear program—but not at the expense of the defense of human rights in Iran.

#### Endnotes

[1] Mohsen Rezaee, "The Heavy Cost of Inappropriate Negotiations with the US," Baztab.com, May 3, 2006. [Persian]

[2] See Alex Vatanka and Fatemeh Aman, "The Making of an Insurgency in Iran's Balochistan Province," *Jane's Intelligence Review*, June 1, 2006.

[3] See, for instance, *Financial Times*, February 24, 2006.

[4] BBC Persian, January 30, 2006. The "current military budget" refers primarily to salaries and current accounts. The "developmental budget" of the armed forces was to be increased by 8 percent.

[5] Anthony Cordesman, *Iran's Developing Military Capabilities* (Washington, DC: Center for Strategic and International Studies, 2005).

[6] Steven R. Ward, "The Continuing Evolution of Iran's Military Doctrine," *Middle East Journal* 59/4 (Autumn 2005), p. 574.

[7] See the "Statement of the Participation Front About the Nuclear File and the Grave Situation of the Country," and the article of former Deputy Interior Minister Mostafa Tajzadeh, "Let Us Avoid Perpetual Defeat," *Emrooz* (online), March 20, 2006. [Persian]

[8] Mohsen Aminzadeh, "Iran's Nuclear Policy and Its Consequences," *Emrooz* (online), March 13, 2006.

[9] Hassan Rowhani, "Beyond the Challenges Facing Iran and the IAEA Over the Nuclear Issue," *Rahbord* 37 (Fall 2005). [Persian] See also Hassan Rowhani, "Iran's Nuclear Program: The Way Out," *Time*, May 9, 2006.

[10] *Etemad Melli*, September 23, 2006.

[11] *Baztab.com*, September 30, 2006.

[12] See Human Rights Watch, *Ministers of Murder: Iran's New Security Cabinet* (Washington, DC, December 2005).

[13] *Etemad Melli*, September 14, 2006.

[14] *Etemad Melli*, September 18, 2006.

[15] *Etemad Melli*, September 30, 2006.

[16] *Etemad Melli*, October 8, 2006.

[17] Masoud Safayi-Farahani, "A Slogan Called Fighting High Prices," *Etemad Melli*, October 10,

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[18] Rouzegar, October 17, 2006.

[19] Mohammad Khoshshetri, "The Government's Economic Policies Are in Dire Need of Rethinking," Ettelaat, September 14, 2006. [Persian]

[20] Ettelaat, September 30, 2006.

[21] Ettelaat, October 11, 2006.

[22] Cited in Sharq, August 16, 2006.

[23] Sharq, August 28, 2006.

[24] Mamyar Farahani, "Ten Reasons for the Upturn in the Capital Market," Ettelaat Bourse, September 25, 2006. [Persian]

[25] Ettelaat, October 8, 2006.

[26] Etemad Melli, September 27, 2006.

[27] Sharq, April 19, 2006.

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